

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO THE COMMITTEE PRINT
OFFERED BY MR. BOEHNER OF OHIO**

Strike all of the Committee Print and insert the following:

**1 TITLE II—COMMITTEE ON EDU-
2 CATION AND THE WORK-
3 FORCE**

4 Subtitle B—Higher Education

5 SECTION 2101. SHORT TITLE; TABLE OF CONTENTS.

6 (a) SHORT TITLE.—This subtitle may be cited as the
7 “Higher Education Budget Reconciliation Act of 2005”.

8 (b) TABLE OF CONTENTS.—

Sec. 2101. Short title; table of contents.

PART 1—AMENDMENTS TO THE HIGHER EDUCATION ACT OF 1965

Sec. 2111. References; effective date.

Sec. 2112. Modification of 50/50 Rule.

Sec. 2113. Reauthorization of Federal Family Education Loan Program.

Sec. 2114. Loan limits.

Sec. 2115. Interest rates and special allowances.

Sec. 2116. Additional loan terms and conditions.

Sec. 2117. Consolidation loan changes.

Sec. 2118. Deferment of student loans for military service.

Sec. 2119. Loan forgiveness for service in areas of national need.

“Sec. 428K. Loan forgiveness for service in areas of national need.

Sec. 2120. Unsubsidized Stafford loans.

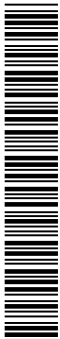
Sec. 2121. Elimination of termination dates from Taxpayer-Teacher Protection Act of 2004.

Sec. 2122. Loan fees from lenders.

Sec. 2123. Additional administrative provisions.

“Sec. 428I. Special insurance and reinsurance rules for exceptional performance.

Sec. 2124. Funds for administrative expenses.



“Sec. 458. Funds for administrative expenses.

Sec. 2125. Significantly simplifying the student aid application process.

Sec. 2126. Additional need analysis amendments.

Sec. 2127. Definition of eligible program.

Sec. 2128. Distance education.

Sec. 2129. Student eligibility.

Sec. 2130. Institutional refunds.

Sec. 2131. College access initiative.

“Sec. 485D. College access initiative.

Sec. 2132. Cancellation of Student Loan Indebtedness For Survivors of Victims of the September 11, 2001, Attacks.

Sec. 2133. Disbursement of student loans.

PART 2—HIGHER EDUCATION RELIEF

Sec. 2141. References.

Sec. 2142. Waivers and modifications.

Sec. 2143. Cancellation of institutional repayment by colleges and universities affected by a Gulf hurricane disaster.

Sec. 2144. Cancellation of student loans for cancelled enrollment periods.

Sec. 2145. Temporary deferment of student loan repayment.

Sec. 2146. No affect on grant and loan limits.

Sec. 2147. Teacher loan relief.

Sec. 2148. Expanding information dissemination regarding eligibility for Pell Grants.

Sec. 2149. Procedures.

Sec. 2150. Termination of authority.

Sec. 2151. Definitions.

1 **PART 1—AMENDMENTS TO THE HIGHER**
2 **EDUCATION ACT OF 1965**

3 SEC. 2111. REFERENCES; EFFECTIVE DATE.

(a) REFERENCES.—Except as otherwise expressly provided, whenever in this part an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

(b) **EFFECTIVE DATE.**—Except as otherwise provided in this part, the amendments made by this part shall be effective on the date of enactment of this Act.



1 **SEC. 2112. MODIFICATION OF 50/50 RULE.**

2 Section 102(a)(3) (20 U.S.C. 1002(a)(3)) is
3 amended—

4 (1) in subparagraph (A), by inserting “(exclud-
5 ing courses offered by telecommunications as defined
6 in section 484(l)(4))” after “courses by correspond-
7 ence”; and

8 (2) in subparagraph (B), by inserting “(exclud-
9 ing courses offered by telecommunications as defined
10 in section 484(l)(4))” after “correspondence
11 courses”.

12 **SEC. 2113. REAUTHORIZATION OF FEDERAL FAMILY EDU-**
13 **CATION LOAN PROGRAM.**

14 (a) AUTHORIZATION OF APPROPRIATIONS.—Section
15 421(b)(5) (20 U.S.C. 1071(b)(5)) is amended by striking
16 “an administrative cost allowance” and inserting “a loan
17 processing and issuance fee”.

18 (b) EXTENSION OF AUTHORITY.—

19 (1) FEDERAL INSURANCE LIMITATIONS.—Sec-
20 tion 424(a) (20 U.S.C. 1074(a)) is amended—

21 (A) by striking “2004” and inserting
22 “2012”; and

23 (B) by striking “2008” and inserting
24 “2016”.

25 (2) GUARANTEED LOANS.—Section 428(a)(5)
26 (20 U.S.C. 1078(a)(5)) is amended—



1 (A) by striking “2004” and inserting
2 “2012”; and

3 (B) by striking “2008” and inserting
4 “2016”.

5 (3) CONSOLIDATION LOANS.—Section 428C(e)
6 (20 U.S.C. 1078–3(e)) is amended by striking
7 “2004” and inserting “2012”.

8 **SEC. 2114. LOAN LIMITS.**

9 (a) FEDERAL INSURANCE LIMITS.—Section
10 425(a)(1)(A) (20 U.S.C. 1075(a)(1)(A)) is amended—

11 (1) in clause (i)(I), by striking “\$2,625” and
12 inserting “\$3,500”; and

13 (2) in clause (ii)(I), by striking “\$3,500” and
14 inserting “\$4,500”.

15 (b) GUARANTEE LIMITS.—Section 428(b)(1)(A) (20
16 U.S.C. 1078(b)(1)(A)) is amended—

17 (1) in clause (i)(I), by striking “\$2,625” and
18 inserting “\$3,500”; and

19 (2) in clause (ii)(I), by striking “\$3,500” and
20 inserting “\$4,500”.

21 (c) COUNTING OF CONSOLIDATION LOANS AGAINST
22 LIMITS.—Section 428C(a)(3)(B) (20 U.S.C. 1078–
23 3(a)(3)(B)) is amended by adding at the end the following
24 new clause:



1 “(ii) Loans made under this section shall, to
2 the extent used to pay off the outstanding principal
3 balance on loans made under this title, excluding
4 capitalized interest, be counted against the applica-
5 ble limitations on aggregate indebtedness contained
6 in sections 425(a)(2), 428(b)(1)(B), 428H(d), 455,
7 and 464(a)(2)(B).”.

8 (d) **EFFECTIVE DATE.**—The amendments made by
9 this section shall apply with respect to any loan made, in-
10 sured, or guaranteed under part B or part D of title IV
11 of the Higher Education Act of 1965 for which the first
12 disbursement of principal is made on or after July 1,
13 2007.

14 **SEC. 2115. INTEREST RATES AND SPECIAL ALLOWANCES.**

15 (a) **FFEL INTEREST RATES.**—Section 427A (20
16 U.S.C. 1077a(k)) is amended—

17 (1) in subsection (k)—

18 (A) by striking “, AND BEFORE JULY 1,
19 2006” in the heading of such subsection; and

20 (B) by striking “, and before July 1,
21 2006,” each place it appears in paragraphs (1),

22 (2), and (3);

23 (2) by striking subsection (l); and

24 (3) by redesignating subsections (m) and (n) as
25 subsections (l) and (m), respectively.



1 (b) DIRECT LOAN INTEREST RATES.—Section
2 455(b) (20 U.S.C. 1087e(b)) is amended—

3 (1) in paragraph (6)—

4 (A) by striking “, AND BEFORE JULY 1,
5 2006” in the heading of such paragraph; and

6 (B) by striking “, and before July 1,
7 2006,” each place it appears in subparagraphs
8 (A), (B), and (C);

9 (2) by striking paragraph (7); and

10 (3) by redesignating paragraphs (8) and (9) as
11 paragraphs (7) and (8), respectively.

12 (c) CONSOLIDATION LOAN INTEREST RATES.—

13 (1) FFEL LOANS.—Section 427A(k) (20
14 U.S.C. 1077a(k)) is further amended—

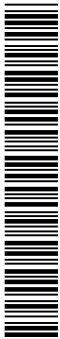
15 (A) in the heading of paragraph (4), by in-
16 serting “BEFORE JULY 1, 2006” after “LOANS”;

17 (B) by redesignating paragraph (5) as
18 paragraph (6); and

19 (C) by inserting after paragraph (4) the
20 following:

21 “(5) CONSOLIDATION LOANS ON OR AFTER
22 JULY 1, 2006.—

23 “(A) BORROWER ELECTION.—With respect
24 to any consolidation loan under section 428C
25 for which the application is received by an eligi-



1 ble lender on or after July 1, 2006, the applica-
2 ble rate of interest shall, at the election of the
3 borrower at the time of application for the loan,
4 be either at the rate determined under subpara-
5 graph (B) or the rate determined under sub-
6 paragraph (C).

7 “(B) VARIABLE RATE.—Except as pro-
8 vided in subparagraph (D), the rate determined
9 under this subparagraph shall, during any 12-
10 month period beginning on July 1 and ending
11 on June 30, be determined on the preceding
12 June 1 and, for such 12-month period, not be
13 more than—

14 “(i) the bond equivalent rate of 91-
15 day Treasury bills auctioned at the final
16 auction held prior to such June 1; plus

17 “(ii) 2.3 percent,
18 except that such rate shall not exceed 8.25 per-
19 cent.

20 “(C) FIXED RATE.—Except as provided in
21 subparagraph (D), the rate determined under
22 this subparagraph shall be determined for the
23 duration of the term of the loan on the July 1
24 that is or precedes the date on which the appli-



1 cation is received by an eligible lender, and
2 shall be, for such duration, not more than—

3 “(i) the bond equivalent rate of 91-
4 day Treasury bills auctioned at the final
5 auction held prior to the June 1 imme-
6 diately preceding such July 1; plus

7 “(ii) 3.3 percent,
8 except that such rate shall not exceed 8.25 per-
9 cent.

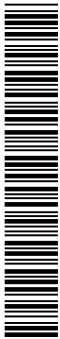
10 “(D) CONSOLIDATION OF PLUS LOANS.—
11 In the case of any such consolidation loan that
12 is used to repay loans each of which was made
13 under section 428B or was a Federal Direct
14 PLUS Loan (or both), the rates determined
15 under clauses (B) and (C) shall be
16 determined—

17 “(i) by substituting ‘3.1 percent’ for
18 ‘2.3 percent’;

19 “(ii) by substituting ‘4.1 percent’ for
20 ‘3.3 percent’; and

21 “(iii) by substituting ‘9.0 percent’ for
22 ‘8.25 percent’.”.

23 (2) DIRECT LOANS.—Section 455(b)(6) (20
24 U.S.C. 1087e(b)(6)) is further amended—



1 (A) in the heading of subparagraph (D),
2 by inserting “BEFORE JULY 1, 2006” after
3 “LOANS”

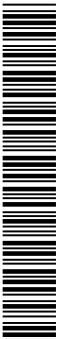
4 (B) by redesignating subparagraph (E) as
5 subparagraph (F); and

6 (C) by inserting after subparagraph (D)
7 the following:

8 “(E) CONSOLIDATION LOANS ON OR AFTER
9 JULY 1, 2006.—

10 “(i) BORROWER ELECTION.—Notwith-
11 standing the preceding paragraphs of this
12 subsection, with respect to any Federal Di-
13 rect Consolidation Loan for which the ap-
14 plication is received by the Secretary on or
15 after July 1, 2006, the applicable rate of
16 interest shall, at the election of the bor-
17 rower at the time of application for the
18 loan, be either at the rate determined
19 under clause (ii) or the rate determined
20 under clause (iii).

21 “(ii) VARIABLE RATE.—Except as
22 provided in clause (iv), the rate determined
23 under this clause shall, during any 12-
24 month period beginning on July 1 and
25 ending on June 30, be determined on the



1 preceding June 1 and, for such 12-month
2 period, be equal to—

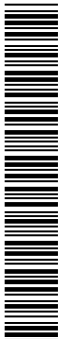
3 “(I) the bond equivalent rate of
4 91-day Treasury bills auctioned at the
5 final auction held prior to such June
6 1; plus

7 “(II) 2.3 percent,
8 except that such rate shall not exceed 8.25
9 percent.

10 “(iii) FIXED RATE.—Except as pro-
11 vided in clause (iv), the rate determined
12 under this clause shall be determined for
13 the duration of the term of the loan on the
14 July 1 that is or precedes the date on
15 which the application is received by the
16 Secretary, and shall be, for such duration,
17 equal to—

18 “(I) the bond equivalent rate of
19 91-day Treasury bills auctioned at the
20 final auction held prior to the June 1
21 immediately preceding such July 1;
22 plus

23 “(II) 3.3 percent,
24 except that such rate shall not exceed 8.25
25 percent.



1 “(iv) CONSOLIDATION OF PLUS
2 LOANS.—In the case of any such Federal
3 Direct Consolidation Loan that is used to
4 repay loans each of which was made under
5 section 428B or was a Federal Direct
6 PLUS Loan (or both), the rates deter-
7 mined under clauses (ii) and (iii) shall be
8 determined—

9 “(I) by substituting ‘3.1 percent’
10 for ‘2.3 percent’;

11 “(II) by substituting ‘4.1 per-
12 cent’ for ‘3.3 percent’; and

13 “(III) by substituting ‘9.0 per-
14 cent’ for ‘8.25 percent’.”.

15 (d) CONSOLIDATION LOAN CONFORMING AMEND-
16 MENT.—Section 428C(c)(1)(A)(ii) (20 U.S.C. 1078–
17 3(c)(1)(A)(ii)) is amended by striking “section
18 427A(l)(3)” and inserting “section 427A(k)(5)”.

19 (e) CONFORMING AMENDMENTS FOR SPECIAL AL-
20 LOWANCES.—

21 (1) AMENDMENT.—Subparagraph (I) of section
22 438(b)(2) (20 U.S.C. 1087–1(b)(2)) is amended—

23 (A) by striking clause (ii) and inserting the
24 following:



1 “(ii) IN SCHOOL AND GRACE PE-
2 RIOD.—In the case of any loan for which
3 the first disbursement is made on or after
4 January 1, 2000, and for which the appli-
5 cable interest rate is described in section
6 427A(k)(2), clause (i)(III) of this subpara-
7 graph shall be applied by substituting
8 ‘1.74 percent’ for ‘2.34 percent’.”;

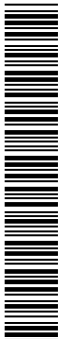
9 (B) in clause (iii),
10 (i) by striking “or (l)(2)”; and
11 (ii) by striking “, subject to clause (v)
12 of this subparagraph”;

13 (C) in clause (iv)—
14 (i) by striking “or (l)(3)” and insert-
15 ing “or (k)(5)”; and
16 (ii) by striking “, subject to clause
17 (vi) of this subparagraph”; and

18 (D) by striking clauses (v), (vi), and (vii)
19 and inserting the following:

20 “(v) RECAPTURE OF EXCESS INTER-
21 EST.—

22 “(I) EXCESS CREDITED.—With
23 respect to a loan on which the applica-
24 ble interest rate is determined under
25 section 427A(k) and for which the

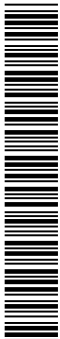


1 first disbursement of principal is
2 made on or after July 1, 2006, if the
3 applicable interest rate for any 3-
4 month period exceeds the special al-
5 lowance support level applicable to
6 such loan under this subparagraph for
7 such period, then an adjustment shall
8 be made by calculating the excess in-
9 terest in the amount computed under
10 subclause (II) of this clause, and by
11 crediting the excess interest to the
12 Government not less often than annu-
13 ally.

14 “(II) CALCULATION OF EX-
15 CESS.—The amount of any adjust-
16 ment of interest on a loan to be made
17 under this subsection for any quarter
18 shall be equal to—

19 “(aa) the applicable interest
20 rate minus the special allowance
21 support level determined under
22 this subparagraph; multiplied by

23 “(bb) the average daily prin-
24 cipal balance of the loan (not in-
25 cluding unearned interest added



1 to principal) during such cal-
2 endar quarter; divided by

3 “(cc) four.

4 “(III) SPECIAL ALLOWANCE SUP-
5 PORT LEVEL.—For purposes of this
6 clause, the term ‘special allowance
7 support level’ means, for any loan, a
8 number expressed as a percentage
9 equal to the sum of the rates deter-
10 mined under subclauses (I) and (III)
11 of clause (i), and applying any substi-
12 tution rules applicable to such loan
13 under clauses (ii), (iii), and (iv) in de-
14 termining such sum.”.

15 (2) EFFECTIVE DATE.—The amendments made
16 by this subsection shall not apply with respect to
17 any special allowance payment made under section
18 438 of the Higher Education Act of 1965 (20 U.S.C
19 1087–1) before July 1, 2006.

20 **SEC. 2116. ADDITIONAL LOAN TERMS AND CONDITIONS.**

21 (a) FEDERAL DEFAULT FEES.—

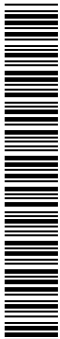
22 (1) IN GENERAL.—Subparagraph (H) of section
23 428(b)(1) (20 U.S.C. 1078(b)(1)(H)) is amended to
24 read as follows:

25 “(H) provides—



1 “(i) for loans for which the first dis-
2bursement of principal is made before
3July, 1, 2006, for the collection of a single
4insurance premium equal to not more than
51.0 percent of the principal amount of the
6loan, by deduction proportionately from
7each installment payment of the proceeds
8of the loan to the borrower, and ensures
9that the proceeds of the premium will not
10be used for incentive payments to lenders;
11or

12 “(ii) for loans for which the first dis-
13bursement of principal is made on or after
14July 1, 2006, for the collection and deposit
15into the Federal Student Loan Reserve
16Fund under section 422A of a Federal de-
17fault fee of 1.0 percent of the principal
18amount of such loan, which shall be de-
19ducted proportionately from each install-
20ment payment of the proceeds of the loan
21to the borrower prior to payment to the
22borrower, and ensures that the proceeds of
23the Federal default fee will not be used for
24incentive payments to lenders;”.



1 (2) UNSUBSIDIZED LOANS.—Section 428H(h)
2 (20 U.S.C. 1078–8(h)) is amended by adding at the
3 end the following new sentence: “Effective for loans
4 for which the first disbursement of principal is made
5 on or after July 1, 2006, in lieu of the insurance
6 premium authorized under the preceding sentence,
7 each State or nonprofit private institution or organi-
8 zation having an agreement with the Secretary
9 under section 428(b)(1) shall collect and deposit into
10 the Federal Student Loan Reserve Fund under sec-
11 tion 422A a Federal default fee of 1.0 percent of the
12 principal amount of the loan, obtained by deduction
13 proportionately from each installment payment of
14 the proceeds of the loan to the borrower. The Fed-
15 eral default fee shall not be used for incentive pay-
16 ments to lenders.”.

17 (3) VOLUNTARY FLEXIBLE AGREEMENTS.—Sec-
18 tion 428A(a)(1) (20 U.S.C. 1078–1(a)(1)) is
19 amended—

20 (A) by striking “or” at the end of subpara-
21 graph (A);

22 (B) by striking the period at the end of
23 subparagraph (B) and inserting “; or”; and

24 (C) by adding at the end the following new
25 subparagraph:



1 “(C) the Federal default fee required by
2 section 428(b)(1)(H) and the second sentence
3 of section 428H(h).”.

4 (b) DISBURSEMENT.—Section 428(b)(1)(N) (20
5 U.S.C. 1078(b)(1)(N)) is amended—

6 (1) in clause (i), by inserting “(including an eli-
7 gible foreign institution, except as provided in clause
8 (ii))” after “institution”; and

9 (2) in clause (ii), by striking “or at an eligible
10 foreign institution”.

11 (c) REPAYMENT PLANS.—

12 (1) FFEL LOANS.—Section 428(b)(9)(A) (20
13 U.S.C. 1078(b)(9)(A)) is amended—

14 (A) by inserting before the semicolon at
15 the end of clause (ii) the following: “, and the
16 Secretary may not restrict the proportions or
17 ratios by which such payments may be grad-
18 uated with the informed agreement of the bor-
19 rower”;

20 (B) by striking “and” at the end of clause
21 (iii);

22 (C) by redesignating clause (iv) as clause
23 (v); and

24 (D) by inserting after clause (iii) the fol-
25 lowing new clause:



1 “(iv) a delayed repayment plan under
2 which the borrower makes scheduled pay-
3 ments for not more than 2 years that are
4 annually not less than the amount of inter-
5 est due or \$600, whichever is greater, and
6 then makes payments in accordance with
7 clause (i), (ii), or (iii); and”.

8 (2) DIRECT LOANS.—Section 455(d)(1) (20
9 U.S.C. 1087e(d)(1)) is amended—

10 (A) by redesignating subparagraph (D) as
11 subparagraph (E); and

12 (B) by striking subparagraphs (A), (B),
13 and (C) and inserting the following:

14 “(A) a standard repayment plan, con-
15 sistent with subsection (a)(1) of this section
16 and with section 428(b)(9)(A)(i);

17 “(B) a graduated repayment plan, con-
18 sistent with section 428(b)(9)(A)(ii);

19 “(C) an extended repayment plan, con-
20 sistent with section 428(b)(9)(A)(v), except that
21 the borrower shall annually repay a minimum
22 amount determined by the Secretary in accord-
23 ance with section 428(b)(1)(L);

24 “(D) a delayed repayment plan under
25 which the borrower makes scheduled payments



1 for not more than 2 years that are annually not
2 less than the amount of interest due or \$600,
3 whichever is greater, and then makes payments
4 in accordance with subparagraph (A), (B), or
5 (C); and”.

6 (d) ORIGINATION FEES.—

7 (1) FFEL PROGRAM.—Paragraph (2) of section
8 438(c) (20 U.S.C. 1087–1(c)) is amended—

9 (A) by striking the designation and head-
10 ing of such paragraph and inserting the fol-
11 lowing:

12 “(2) AMOUNT OF ORIGINATION FEES.—

13 “(A) IN GENERAL.—”; and

14 (B) by adding at the end the following new
15 subparagraph:

16 “(B) SUBSEQUENT REDUCTIONS.—Sub-
17 paragraph (A) shall be applied to loans made
18 under this part (other than loans made under
19 sections 428C and 439(o))—

20 “(i) by substituting ‘2.0 percent’ for
21 ‘3.0 percent’ with respect to loans for
22 which the first disbursement of principal is
23 made on or after July 1, 2006, and before
24 July 1, 2007;



1 “(ii) by substituting ‘1.5 percent’ for
2 ‘3.0 percent’ with respect to loans for
3 which the first disbursement of principal is
4 made on or after July 1, 2007, and before
5 July 1, 2008;

6 “(iii) by substituting ‘1.0 percent’ for
7 ‘3.0 percent’ with respect to loans for
8 which the first disbursement of principal is
9 made on or after July 1, 2008, and before
10 July 1, 2009;

11 “(iv) by substituting ‘0.5 percent’ for
12 ‘3.0 percent’ with respect to loans for
13 which the first disbursement of principal is
14 made on or after July 1, 2009, and before
15 July 1, 2010; and

16 “(v) by substituting ‘0.0 percent’ for
17 ‘3.0 percent’ with respect to loans for
18 which the first disbursement of principal is
19 made on or after July 1, 2010.”.

20 (2) DIRECT LOAN PROGRAM.—Subsection (c) of
21 section 455 (20 U.S.C. 1087e(c)) is amended to
22 read as follows:

23 “(c) LOAN FEE.—

24 “(1) IN GENERAL.—The Secretary shall charge
25 the borrower of a loan made under this part an



1 origination fee of 4.0 percent of the principal
2 amount of loan.

3 “(2) SUBSEQUENT REDUCTION.—Paragraph
4 (1) shall be applied to loans made under this part,
5 other than Federal Direct Consolidation loans and
6 Federal Direct PLUS loans—

7 “(A) by substituting ‘not more or less than
8 3.0 percent’ for ‘4.0 percent’ with respect to
9 loans for which the first disbursement of prin-
10 cipal is made on or after July 1, 2006, and be-
11 fore July 1, 2007;

12 “(B) by substituting ‘not more or less than
13 2.5 percent’ for ‘4.0 percent’ with respect to
14 loans for which the first disbursement of prin-
15 cipal is made on or after July 1, 2007, and be-
16 fore July 1, 2008;

17 “(C) by substituting ‘not more or less than
18 2.0 percent’ for ‘4.0 percent’ with respect to
19 loans for which the first disbursement of prin-
20 cipal is made on or after July 1, 2008, and be-
21 fore July 1, 2009;

22 “(D) by substituting ‘not more or less than
23 1.5 percent’ for ‘4.0 percent’ with respect to
24 loans for which the first disbursement of prin-



1 cipal is made on or after July 1, 2009, and be-
2 fore July 1, 2010; and

3 “(E) by substituting ‘not more or less than
4 1.0 percent’ for ‘4.0 percent’ with respect to
5 loans for which the first disbursement of prin-
6 cipal is made on or after July 1, 2010.

7 “(3) WAIVERS AND REPAYMENT INCENTIVES
8 PROHIBITED.—Beginning with loans made on or
9 after July 1, 2006, the Secretary is prohibited—

10 “(A) from waiving any amount of the loan
11 fee prescribed under this section as part of a
12 repayment incentive in section 455(b)(7); and

13 “(B) from providing any repayment incen-
14 tive before the borrower enters repayment.”.

15 (e) CONSOLIDATION LOAN OFFSET CHARGE.—

16 (1) FFEL CONSOLIDATION LOANS.—Section
17 438(c) (20 U.S.C. 1087–1(c)) is further amended—

18 (A) in paragraph (1)(A), by inserting after
19 “paragraph (2) of this subsection” the fol-
20 lowing: “and the amount the lender is author-
21 ized to collect as a consolidation loan offset
22 charge in accordance with paragraph (9) of this
23 subsection”;

24 (B) in paragraph (1)(B)—



1 (i) by inserting “and the consolidation
2 loan offset charge” after “origination fee”;
3 and

4 (ii) by inserting “and consolidation
5 loan offset charges” after “origination
6 fees”;

7 (C) in paragraphs (3) and (4), by inserting
8 “and consolidation loan offset charge” after
9 “origination fee” each place it appears;

10 (D) in paragraph (5)—

11 (i) by inserting “or consolidation loan
12 offset charge” after “origination fee”; and

13 (ii) by inserting “or consolidation loan
14 offset charges” after “origination fees”;

15 (E) in paragraph (7)—

16 (i) by inserting “and consolidation
17 loan offset charges” after “origination
18 fees”; and

19 (ii) by striking “428A or”; and

20 (F) by adding at the end the following new
21 paragraph:

22 “(9) CONSOLIDATION LOAN OFFSET CHARGE.—
23 For any loan under section 428C, the lender is au-
24 thorized to collect a consolidation loan offset charge
25 in an amount not to exceed 1.0 percent of the prin-



1 cipal amount of the loan. Such amount may be
2 added to the principal amount of the loan for repay-
3 ment by the borrower.”.

4 (2) DIRECT LOANS.—Section 455(c) (20 U.S.C.
5 1087e(c)), as amended by subsection (d)(2) of this
6 section, is further amended by adding at the end the
7 following new paragraph:

8 “(4) CONSOLIDATION LOAN OFFSET
9 CHARGES.—For any Federal Direct Consolidation
10 Loan, the Secretary shall collect a consolidation loan
11 offset charge in an amount not more or less than
12 1.0 percent of the principal amount of the loan.
13 Such amount may be added to the principal amount
14 of the loan for repayment by the borrower. Such
15 amount is not subject to the requirements of para-
16 graph (3) of this subsection.”.

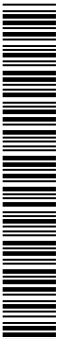
17 **SEC. 2117. CONSOLIDATION LOAN CHANGES.**

18 (a) CROSS-CONSOLIDATION BETWEEN PROGRAMS.—
19 Section 428C (20 U.S.C. 1078–3) is amended—

20 (1) in subsection (a)(3)(B)(i)—

21 (A) by inserting “or under section 455(g)”
22 after “under this section” both places it ap-
23 pears;

24 (B) by inserting “under both sections”
25 after “terminates”



1 (C) by striking “and” at the end of sub-
2 clause (III);

3 (D) by striking the period at the end of
4 subclause (IV) and inserting “; and”; and

5 (E) by adding at the end the following new
6 subclause:

7 “(V) an individual may obtain a subse-
8 quent consolidation loan under section 455(g)
9 only for the purposes of obtaining an income
10 contingent repayment plan, and only if the loan
11 has been submitted to the guaranty agency for
12 default aversion.”; and

13 (2) in subsection (b)(5), by striking the first
14 sentence and inserting the following: “In the event
15 that a lender with an agreement under subsection
16 (a)(1) of this section denies a consolidation loan ap-
17 plication submitted to it by an eligible borrower
18 under this section, or denies an application sub-
19 mitted to it by such a borrower for a consolidation
20 loan with income-sensitive repayment terms, the Sec-
21 retary shall offer any such borrower who applies for
22 it, a Federal Direct Consolidation loan. The Sec-
23 retary shall offer such a loan to a borrower who has
24 defaulted, for the purpose of resolving the default.”.

25 (b) REPEAL OF IN-SCHOOL CONSOLIDATION.—



1 (1) DEFINITION OF REPAYMENT PERIOD.—Sec-
2 tion 428(b)(7)(A) (20 U.S.C. 1078(b)(7)(A)) is
3 amended by striking “shall begin—” and all that
4 follows through “earlier date.” and inserting the fol-
5 lowing: “shall begin the day after 6 months after the
6 date the student ceases to carry at least one-half the
7 normal full-time academic workload (as determined
8 by the institution).”.

9 (2) CONFORMING CHANGE TO ELIGIBLE BOR-
10 ROWER DEFINITION.—Section 428C(a)(3)(A)(ii)(I)
11 (20 U.S.C. 1078–3(a)(3)(A)(ii)(I)) is amended by
12 inserting “as determined under section
13 428(b)(7)(A)” after “repayment status”.

14 (c) INTEREST PAYMENT REBATE FEE.—Section
15 428C(f)(2) (20 U.S.C. 1078–2(f)(2)) is amended—

16 (1) by striking “SPECIAL RULE.—” and insert-
17 ing “SPECIAL RULES.—(A)”; and

18 (2) by adding at the end the following new sub-
19 paragraph:

20 “(B) For consolidation loans based on applica-
21 tions received on or after July 1, 2006, if 90 percent
22 or more of the total principal and accrued unpaid in-
23 terest outstanding on the loans held, directly or indi-
24 rectly, by any holder is comprised of principal and
25 accrued unpaid interest owed on consolidation loans,



1 the rebate described in paragraph (1) for such hold-
2 er shall be equal to 1.30 percent of the principal
3 plus accrued unpaid interest on such loans.”.

4 (d) ADDITIONAL AMENDMENTS.—Section 428C (20
5 U.S.C. 1078–3) is amended—

6 (1) in subsection (a)(3), by striking subpara-
7 graph (C); and

8 (2) in subsection (b)(1)—

9 (A) by striking everything after “under
10 this section” the first place it appears in sub-
11 paragraph (A) and inserting the following: “and
12 that, if all the borrower’s loans under this part
13 are held by a single holder, the borrower has
14 notified such holder that the borrower is seek-
15 ing to obtain a consolidation loan under this
16 section;”;

17 (B) by striking “(i) which” and all that
18 follows through “and (ii)” in subparagraph (C);

19 (C) by striking “and” at the end of sub-
20 paragraph (E);

21 (D) by redesignating subparagraph (F) as
22 subparagraph (G); and

23 (E) by inserting after subparagraph (E)
24 the following new subparagraph:



1 “(F) that the lender of the consolidation
2 loan shall, upon application for such loan, pro-
3 vide the borrower with a clear and conspicuous
4 notice of at least the following information:

5 “(i) the effects of consolidation on
6 total interest to be paid, fees to be paid,
7 and length of repayment;

8 “(ii) the effects of consolidation on a
9 borrower’s underlying loan benefits, includ-
10 ing loan forgiveness, cancellation,
11 deferment, and reduced interest rates on
12 those underlying loans;

13 “(iii) the ability of the borrower to
14 prepay the loan, pay on a shorter schedule,
15 and to change repayment plans;

16 “(iv) that borrower benefit programs
17 may vary among different loan holders,
18 and a description of how the borrower ben-
19 efits may vary among different loan hold-
20 ers;

21 “(v) the tax benefits for which bor-
22 rowers may be eligible;

23 “(vi) the consequences of default; and



1 “(vii) that by making the application
2 the applicant is not obligated to agree to
3 take the consolidation loan; and”.

4 (e) EFFECTIVE DATE FOR SINGLE HOLDER AMEND-
5 MENT.—The amendment made by subsection (d)(2)(A)
6 shall apply with respect to any loan made under section
7 428C of the Higher Education Act of 1965 (20 U.S.C.
8 1078–3) for which the application is received by an eligible
9 lender on or after July 1, 2006.

10 (f) CONFORMING AMENDMENTS TO DIRECT LOAN
11 PROGRAM.—Section 455 (20 U.S.C. 1087e) is amended

12 (1) in subsection (a)(1) by inserting “428C,”
13 after “428B,”;

14 (2) in subsection (a)(2)—

15 (A) by striking “and” at the end of sub-
16 paragraph (B);

17 (B) by redesignating subparagraph (C) as
18 subparagraph (D); and

19 (C) by inserting after subparagraph (B)
20 the following:

21 “(C) section 428C shall be known as ‘Fed-
22 eral Direct Consolidation Loans’; and ”; and

23 (3) in subsection (g)—

24 (A) by striking the second sentence; and



1 (B) by adding at the end the following new
2 sentences: “To be eligible for a consolidation
3 loan under this part, a borrower must meet the
4 eligibility criteria set forth in section
5 428C(a)(3). The Secretary, upon application for
6 such a loan, shall comply with the requirements
7 applicable to a lender under section
8 428C(b)(1)(F).”.

9 **SEC. 2118. DEFERMENT OF STUDENT LOANS FOR MILITARY**
10 **SERVICE.**

11 (a) FEDERAL FAMILY EDUCATION LOANS.—Section
12 428(b)(1)(M) (20 U.S.C. 1078(b)(1)(M)) is amended—

13 (1) by striking “or” at the end of clause (ii);

14 (2) by redesignating clause (iii) as clause (iv);

15 and

16 (3) by inserting after clause (ii) the following
17 new clause:

18 “(iii) not in excess of 3 years during

19 which the borrower—

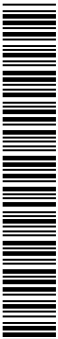
20 “(I) is serving on active duty

21 during a war or other military oper-

22 ation or national emergency; or

23 “(II) is performing qualifying

24 National Guard duty during a war or



1 other military operation or national
2 emergency; or”.

3 (b) DIRECT LOANS.—Section 455(f)(2) (20 U.S.C.
4 1087e(f)(2)) is amended—

5 (1) by redesignating subparagraph (C) as sub-
6 paragraph (D); and

7 (2) by inserting after subparagraph (B) the fol-
8 lowing new subparagraph:

9 “(C) not in excess of 3 years during which
10 the borrower—

11 “(i) is serving on active duty during a
12 war or other military operation or national
13 emergency; or

14 “(ii) is performing qualifying National
15 Guard duty during a war or other military
16 operation or national emergency; or”.

17 (c) PERKINS LOANS.—Section 464(c)(2)(A) (20
18 U.S.C. 1087dd(c)(2)(A)) is amended—

19 (1) by redesignating clauses (iii) and (iv) as
20 clauses (iv) and (v), respectively; and

21 (2) by inserting after clause (ii) the following
22 new clause:

23 “(iii) not in excess of 3 years during which the
24 borrower—



1 “(I) is serving on active duty during a war
2 or other military operation or national emer-
3 gency; or

4 “(II) is performing qualifying National
5 Guard duty during a war or other military op-
6 eration or national emergency;”.

7 (d) DEFINITIONS.—Section 481 (20 U.S.C. 1088) is
8 amended by adding at the end the following new sub-
9 section:

10 “(d) DEFINITIONS FOR MILITARY DEFERMENTS.—
11 For purposes of parts B, D, and E of this title:

12 “(1) ACTIVE DUTY.—The term ‘active duty’ has
13 the meaning given such term in section 101(d)(1) of
14 title 10, United States Code, except that such term
15 does not include active duty for training or attend-
16 ance at a service school.

17 “(2) MILITARY OPERATION.—The term ‘mili-
18 tary operation’ means a contingency operation as
19 such term is defined in section 101(a)(13) of title
20 10, United States Code.

21 “(3) NATIONAL EMERGENCY.—The term ‘na-
22 tional emergency’ means the national emergency by
23 reason of certain terrorist attacks declared by the
24 President on September 14, 2001, or subsequent na-



1 tional emergencies declared by the President by rea-
2 son of terrorist attacks.

3 “(4) SERVING ON ACTIVE DUTY.—The term
4 ‘serving on active duty during a war or other mili-
5 tary operation or national emergency’ means service
6 by an individual who is—

7 “(A) a Reserve of an Armed Force ordered
8 to active duty under section 12301(a),
9 12301(g), 12302, 12304, or 12306 of title 10,
10 United States Code, or any retired member of
11 an Armed Force ordered to active duty under
12 section 688 of such title, for service in connec-
13 tion with a war or other military operation or
14 national emergency, regardless of the location
15 at which such active duty service is performed;
16 and

17 “(B) any other member of an Armed Force
18 on active duty in connection with such emer-
19 gency or subsequent actions or conditions who
20 has been assigned to a duty station at a loca-
21 tion other than the location at which such mem-
22 ber is normally assigned.

23 “(5) QUALIFYING NATIONAL GUARD DUTY.—
24 The term ‘qualifying National Guard duty during a
25 war or other military operation or national emer-



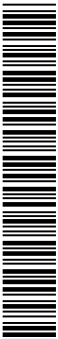
1 agency' means service as a member of the National
2 Guard on full-time National Guard duty (as defined
3 in section 101(d)(5) of title 10, United States Code)
4 under a call to active service authorized by the
5 President or the Secretary of Defense for a period
6 of more than 30 consecutive days under section
7 502(f) of title 32, United States Code, in connection
8 with a war, other military operation, or a national
9 emergency declared by the President and supported
10 by Federal funds.'".

(e) RULE OF CONSTRUCTION.—Nothing in the amendments made by this section shall be construed to authorize any refunding of any repayment of a loan.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to loans for which the first disbursement is made on or after July 1, 1993, to an individual who is a new borrower (within the meaning of section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003)) on or after such date.

20 SEC. 2119. LOAN FORGIVENESS FOR SERVICE IN AREAS OF
21 NATIONAL NEED.

22 Section 428K (20 U.S.C. 1078–11) is amended to
23 read as follows:



1 **“SEC. 428K. LOAN FORGIVENESS FOR SERVICE IN AREAS OF**
2 **NATIONAL NEED.**

3 “(a) PURPOSES.—The purposes of this section are—

4 “(1) to encourage highly trained individuals to
5 enter and continue in service in areas of national
6 need; and

7 “(2) to reduce the burden of student debt for
8 Americans who dedicate their careers to service in
9 areas of national need.

10 “(b) PROGRAM AUTHORIZED.—

11 “(1) IN GENERAL.—The Secretary is authorized
12 to carry out a program of assuming the obligation
13 to repay, pursuant to subsections (c)(2) and (d), a
14 qualified loan amount for a loan made, insured, or
15 guaranteed under this part or part D (other than
16 loans made under section 428B and 428C and com-
17 parable loans made under part D), for any new bor-
18 rower after the date of enactment of the Higher
19 Education Budget Reconciliation Act of 2005,
20 who—

21 “(A) has been employed full-time for at
22 least 5 consecutive complete school, academic,
23 or calendar years, as appropriate, in an area of
24 national need described in subsection (c); and

25 “(B) is not in default on a loan for which
26 the borrower seeks forgiveness.



1 “(2) AWARD BASIS.—Loan repayment under
2 this section shall be on a first-come, first-served
3 basis pursuant to the designation under subsection
4 (c) and subject to the availability of appropriations.

5 “(3) REGULATIONS.—The Secretary is author-
6 ized to issue such regulations as may be necessary
7 to carry out the provisions of this section.

8 “(c) AREAS OF NATIONAL NEED.—

9 “(1) STATUTORY CATEGORIES.—For purposes
10 of this section, an individual shall be treated as em-
11 ployed in an area of national need if the individual
12 is employed full-time and is any of the following:

13 “(A) EARLY CHILDHOOD EDUCATORS.—An
14 individual who is employed as an early child-
15 hood educator in an eligible preschool program
16 or child care facility in a low-income commu-
17 nity, and who is involved directly in the care,
18 development and education of infants, toddlers,
19 or young children through age five.

20 “(B) NURSES.—An individual who is
21 employed—

22 “(i) as a nurse in a clinical setting; or

23 “(ii) as a member of the nursing fac-
24 ulty at an accredited school of nursing (as
25 those terms are defined in section 801 of



1 the Public Health Service Act (42 U.S.C.
2 296)).

3 “(C) FOREIGN LANGUAGE SPECIALISTS.—
4 An individual who has obtained a baccalaureate
5 degree in a critical foreign language and is
6 employed—

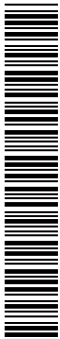
7 “(i) in an elementary or secondary
8 school as a teacher of a critical foreign lan-
9 guage; or

10 “(ii) in an agency of the United
11 States Government in a position that regu-
12 larly requires the use of such critical for-
13 eign language.

14 “(D) LIBRARIANS.—An individual who is
15 employed as a librarian in—

16 “(i) a public library that serves a geo-
17 graphic area within which the public
18 schools have a combined average of 30 per-
19 cent or more of their total student enroll-
20 ments composed of children counted under
21 section 1113(a)(5) of the Elementary and
22 Secondary Education Act of 1965; or

23 “(ii) an elementary or secondary
24 school which is in the school district of a
25 local educational agency which is eligible in



1 such year for assistance pursuant to title I
2 of the Elementary and Secondary Edu-
3 cation Act of 1965, and which for the pur-
4 pose of this paragraph and for that year
5 has been determined by the Secretary
6 (pursuant to regulations and after con-
7 sultation with the State educational agency
8 of the State in which the school is located)
9 to be a school in which the enrollment of
10 children counted under section 1113(a)(5)
11 of the Elementary and Secondary Edu-
12 cation Act of 1965 exceeds 30 percent of
13 the total enrollment of that school.

14 “(E) HIGHLY QUALIFIED TEACHERS: BI-
15 LINGUAL EDUCATION AND LOW-INCOME COM-
16 MUNITIES.—An individual who—

17 “(i) is highly qualified as such term is
18 defined in section 9101 of the Elementary
19 and Secondary Education Act of 1965; and

20 “(ii)(I) is employed as a teacher of bi-
21 lingual education; or

22 “(II) is employed as a teacher for
23 service in a public or nonprofit private ele-
24 mentary or secondary school which is in
25 the school district of a local educational



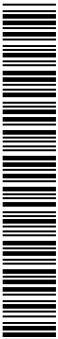
1 agency which is eligible in such year for
2 assistance pursuant to title I of the Ele-
3 mentary and Secondary Education Act of
4 1965, and which for the purpose of this
5 paragraph and for that year has been de-
6 termined by the Secretary (pursuant to
7 regulations and after consultation with the
8 State educational agency of the State in
9 which the school is located) to be a school
10 in which the enrollment of children counted
11 under section 1113(a)(5) of the Elemen-
12 tary and Secondary Education Act of 1965
13 exceeds 40 percent of the total enrollment
14 of that school.

15 “(F) FIRST RESPONDERS IN LOW-INCOME
16 COMMUNITIES.—An individual who—

17 “(i) is employed as a firefighter, police
18 officer, or emergency medical technician;
19 and

20 “(ii) serves as such in a low-income
21 community.

22 “(G) CHILD WELFARE WORKERS.—An in-
23 dividual who—



1 “(i) has obtained a degree in social
2 work or a related field with a focus on
3 serving children and families; and

4 “(ii) is employed in public or private
5 child welfare services.

6 “(H) SPEECH-LANGUAGE PATHOLO-
7 GISTS.—An individual who is a speech-language
8 pathologist, who is employed in an eligible pre-
9 school program or an elementary or secondary
10 school, and who has, at a minimum, a graduate
11 degree in speech-language pathology, or com-
12 munication sciences and disorders.

13 “(I) ADDITIONAL AREAS OF NATIONAL
14 NEED.—An individual who is employed in an
15 area designated by the Secretary under para-
16 graph (2) and has completed a baccalaureate or
17 advanced degree related to such area.

18 “(2) DESIGNATION OF ADDITIONAL AREAS OF
19 NATIONAL NEED.—After consultation with appro-
20 priate Federal, State, and community-based agencies
21 and organizations, the Secretary shall designate ad-
22 ditional areas of national need in which an indi-
23 vidual may be employed full-time to be eligible for
24 loan repayment under this section. In making such



1 designations, the Secretary shall take into account
2 the extent to which—

3 “(A) the national interest in the area is
4 compelling;

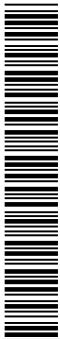
5 “(B) the area suffers from a critical lack
6 of qualified personnel; and

7 “(C) other Federal programs support the
8 area concerned.

9 “(d) QUALIFIED LOAN AMOUNT.—Subject to the
10 availability of appropriations, the Secretary shall repay
11 not more than \$5,000 in the aggregate of the loan obliga-
12 tion on a loan made under section 428 or 428H that is
13 outstanding after the completion of the fifth consecutive
14 school, academic, or calendar year, as appropriate, de-
15 scribed in subsection (b)(1).

16 “(e) CONSTRUCTION.—Nothing in this section shall
17 be construed to authorize the refunding of any repayment
18 of a loan made under section 428 or 428H.

19 “(f) INELIGIBILITY OF NATIONAL SERVICE AWARD
20 RECIPIENTS.—No student borrower may, for the same
21 service, receive a benefit under both this section and sub-
22 title D of title I of the National and Community Service
23 Act of 1990 (42 U.S.C. 12601 et seq.).



1 “(g) INELIGIBILITY FOR DOUBLE BENEFITS.—No
2 borrower may receive a reduction of loan obligations under
3 both this section and section 428J or 460.

4 “(h) DEFINITIONS.—In this section

5 “(1) CHILD CARE FACILITY.—The term ‘child
6 care facility’ means a facility, including a home,
7 that—

8 “(A) provides for the education and care of
9 children from birth through age 5; and

10 “(B) meets any applicable State or local
11 government licensing, certification, approval, or
12 registration requirements.

13 “(2) CRITICAL FOREIGN LANGUAGE.—The term
14 ‘critical foreign language’ includes the languages of
15 Arabic, Korean, Japanese, Chinese, Pashto, Persian-
16 Farsi, Serbian-Croatian, Russian, Portuguese, and
17 any other language identified by the Secretary of
18 Education, in consultation with the Defense Lan-
19 guage Institute, the Foreign Service Institute, and
20 the National Security Education Program, as a crit-
21 ical foreign language need.

22 “(3) EARLY CHILDHOOD EDUCATOR.—The
23 term ‘early childhood educator’ means an early
24 childhood educator employed in an eligible preschool
25 program who has completed a baccalaureate or ad-



1 vanced degree in early childhood development, early
2 childhood education, or in a field related to early
3 childhood education.

4 “(4) ELIGIBLE PRESCHOOL PROGRAM.—The
5 term ‘eligible preschool program’ means a program
6 that provides for the care, development, and edu-
7 cation of infants, toddlers, or young children
8 through age 5, meets any applicable State or local
9 government licensing, certification, approval, and
10 registration requirements, and is operated by—

11 “(A) a public or private school that may be
12 supported, sponsored, supervised, or adminis-
13 tered by a local educational agency;

14 “(B) a Head Start agency serving as a
15 grantee designated under the Head Start Act
16 (42 U.S.C. 9831 et seq.);

17 “(C) a nonprofit or community based orga-
18 nization; or

19 “(D) a child care program, including a
20 home.

21 “(5) LOW-INCOME COMMUNITY.—In this sub-
22 section, the term ‘low-income community’ means a
23 community in which 70 percent of households earn
24 less than 85 percent of the State median household
25 income.



1 “(6) NURSE.—The term ‘nurse’ means a nurse
2 who meets all of the following:

3 “(A) The nurse graduated from—

4 “(i) an accredited school of nursing
5 (as those terms are defined in section 801
6 of the Public Health Service Act (42
7 U.S.C. 296));

8 “(ii) a nursing center; or

9 “(iii) an academic health center that
10 provides nurse training.

11 “(B) The nurse holds a valid and unre-
12 stricted license to practice nursing in the State
13 in which the nurse practices in a clinical set-
14 ting.

15 “(C) The nurse holds one or more of the
16 following:

17 “(i) A graduate degree in nursing, or
18 an equivalent degree.

19 “(ii) A nursing degree from a colle-
20 giate school of nursing (as defined in sec-
21 tion 801 of the Public Health Service Act
22 (42 U.S.C. 296)).

23 “(iii) A nursing degree from an asso-
24 ciate degree school of nursing (as defined



1 in section 801 of the Public Health Service
2 Act (42 U.S.C. 296)).

3 “(iv) A nursing degree from a diploma
4 school of nursing (as defined in section
5 801 of the Public Health Service Act (42
6 U.S.C. 296)).

7 “(7) SPEECH-LANGUAGE PATHOLOGIST.—The
8 term ‘speech-language pathologist’ means a speech-
9 language pathologist who meets all of the following:

10 “(A) the speech-language pathologist has
11 received, at a minimum, a graduate degree in
12 speech-language pathology or communication
13 sciences and disorders from an institution of
14 higher education accredited by an agency or as-
15 sociation recognized by the Secretary pursuant
16 to section 496(a) of this Act; and

17 “(B) the speech-language pathologist
18 meets or exceeds the qualifications described in
19 section 1861(ll)(3) of the Social Security Act
20 (42 U.S.C. 1395x(3)).

21 “(i) AUTHORIZATION OF APPROPRIATIONS.—There
22 are authorized to be appropriated to carry out this section
23 such sums as may be necessary for fiscal year 2006 and
24 such sums as may be necessary for each of the 5 suc-
25 ceeding fiscal years.”.



1 **SEC. 2120. UNSUBSIDIZED STAFFORD LOANS.**

2 (a) AMENDMENT.—Section 428H(d)(2)(C) (20
3 U.S.C. 1078–8(d)(2)(C)) is amended by striking
4 “\$10,000” and inserting “\$12,000”.

5 (b) EFFECTIVE DATE.—The amendment made by
6 subsection (a) shall apply to loans for which the first dis-
7bursement of principal is made on or after July 1, 2007.

8 **SEC. 2121. ELIMINATION OF TERMINATION DATES FROM**
9 **TAXPAYER-TEACHER PROTECTION ACT OF**
10 **2004.**

11 (a) EXTENSION OF LIMITATIONS ON SPECIAL AL-
12LOWANCE FOR LOANS FROM THE PROCEEDS OF TAX EX-
13EMPT ISSUES.—Section 438(b)(2)(B) (20 U.S.C. 1087–
141(b)(2)(B)) is amended—

15 (1) in clause (iv), by striking “and before Janu-
16ary 1, 2006,”; and

17 (2) in clause (v)(II)—

18 (A) by striking “and before January 1,
192006,” each place it appears in divisions (aa)
20and (bb); and

21 (B) by striking “, and before January 1,
222006” in division (cc).

23 (b) ADDITIONAL LIMITATION ON SPECIAL ALLOW-
24ANCE FOR LOANS FROM THE PROCEEDS OF TAX EXEMPT
25ISSUES.—Section 438(b)(2)(B) (20 U.S.C. 1087–



1 1(b)(2)(B)) is further amended by adding at the end
2 thereof the following new clause:

3 “(vi) Notwithstanding clauses (i), (ii), and (v),
4 the quarterly rate of the special allowance shall be
5 the rate determined under subparagraph (A), (E),
6 (F), (G), (H), or (I) of this paragraph, as the case
7 may be, for a holder of loans—

8 “(I) that were made or purchased on or
9 after October 1, 2005; or

10 “(II) that were not earning a quarterly
11 rate of special allowance determined under
12 clauses (i) or (ii) of subparagraph (B) of this
13 paragraph (20 U.S.C. 1087–1(b)(2)(b)) as of
14 October 1, 2005.”.

15 (c) ELIMINATION OF EFFECTIVE DATE LIMITATION
16 ON HIGHER TEACHER LOAN FORGIVENESS BENEFITS.—
17 Paragraph (3) of section 3(b) of the Taxpayer-Teacher
18 Protection Act of 2004 (20 U.S.C. 1078–10 note) is
19 amended by striking “, and before October 1, 2005”.

20 (d) ADDITIONAL CHANGES TO TEACHER LOAN FOR-
21 GIVENESS PROVISIONS.—

22 (1) FFEL PROVISIONS.—Section 428J (20
23 U.S.C. 1078–10) is amended—



1 (A) in subsection (b)(1)(B), by inserting
2 after “1965” the following: “, or meets the re-
3 quirements of subsection (g)(3)”;

4 (B) in subsection (c)(3)—

5 (i) by striking “and” at the end of
6 subparagraph (A);

7 (ii) by striking the period at the end
8 of subparagraph (B) and inserting “;
9 and”; and

10 (iii) by inserting after subparagraph
11 (B) the following new subparagraph:

12 “(C) an elementary or secondary school
13 teacher who primarily teaches reading—

14 “(i) who meets the requirements of
15 subsection (b);

16 “(ii) who has obtained a separate
17 reading instruction credential from the
18 State in which the teacher is employed;
19 and

20 “(iii) who is certified by the chief ad-
21 ministrative officer of the public or non-
22 profit private elementary or secondary
23 school in which the borrower is employed
24 to teach reading—



1 “(I) as being proficient in teach-
2 ing the essential components of read-
3 ing instruction as defined in section
4 1208 of the Elementary and Sec-
5 ondary Education Act of 1965; and

6 “(II) as having such credential.”;

7 and

8 (C) in subsection (g), by adding at the end
9 the following new paragraph:

10 “(3) PRIVATE SCHOOL TEACHERS.—An indi-
11 vidual who is employed as a teacher in a private
12 school and is exempt from State certification re-
13 quirements (unless otherwise applicable under State
14 law), may, in lieu of the requirement of subsection
15 (a)(1)(B), have such employment treated as quali-
16 fying employment under this section if such indi-
17 vidual is permitted to and does satisfy rigorous sub-
18 ject knowledge and skills tests by taking competency
19 tests in the applicable grade levels and subject areas.
20 For such purposes, the competency tests taken by
21 such a private school teacher must be recognized by
22 5 or more States for the purpose of fulfilling the
23 highly qualified teacher requirements under section
24 9101 of the Elementary and Secondary Education
25 Act of 1965, and the score achieved by such teacher



1 on each test must equal or exceed the average pass-
2 ing score of those 5 States.”.

3 (2) DIRECT LOAN PROVISIONS.—Section 460
4 (20 U.S.C. 1087j) is amended—

5 (A) in subsection (b)(1)(A)(ii), by inserting
6 after “1965” the following: “, or meets the re-
7 quirements of subsection (g)(3)”;

8 (B) in subsection (c)(3)—

9 (i) by striking “and” at the end of
10 subparagraph (A);

11 (ii) by striking the period at the end
12 of subparagraph (B) and inserting “;
13 and”; and

14 (iii) by inserting after subparagraph
15 (B) the following new subparagraph:

16 “(C) an elementary or secondary school
17 teacher who primarily teaches reading—

18 “(i) who meets the requirements of
19 subsection (b);

20 “(ii) who has obtained a separate
21 reading instruction credential from the
22 State in which the teacher is employed;
23 and

24 “(iii) who is certified by the chief ad-
25 ministrative officer of the public or non-



1 profit private elementary or secondary
2 school in which the borrower is employed
3 to teach reading—

4 “(I) as being proficient in teach-
5 ing the essential components of read-
6 ing instruction as defined in section
7 1208 of the Elementary and Sec-
8 ondary Education Act of 1965; and

9 “(II) as having such credential.”;
10 and

11 (C) in subsection (g), by adding at the end
12 the following new paragraph:

13 “(3) PRIVATE SCHOOL TEACHERS.—An indi-
14 vidual who is employed as a teacher in a private
15 school and is exempt from State certification re-
16 quirements (unless otherwise applicable under State
17 law), may, in lieu of the requirement of subsection
18 (a)(1)(A)(ii), have such employment treated as
19 qualifying employment under this section if such in-
20 dividual is permitted to and does satisfy rigorous
21 subject knowledge and skills tests by taking com-
22 petency tests in the applicable grade levels and sub-
23 ject areas. For such purposes, the competency tests
24 taken by such a private school teacher must be rec-
25 ognized by 5 or more States for the purpose of ful-



1 filling the highly qualified teacher requirements
2 under section 9101 of the Elementary and Sec-
3 ondary Education Act of 1965, and the score
4 achieved by such teacher on each test must equal or
5 exceed the average passing score of those 5 States.”.

6 **SEC. 2122. LOAN FEES FROM LENDERS.**

7 Section 438(d)(2) (20 U.S.C. 1087–1(d)(2)) is
8 amended to read as follows:

9 “(2) AMOUNT OF LOAN FEES.—The amount of
10 the loan fee which shall be deducted under para-
11 graph (1) shall be equal to—

12 “(A) 0.50 percent of the principal amount
13 of the loan with respect to any loan under this
14 part for which the first disbursement was made
15 on or after October 1, 1993, and before July 1,
16 2006; and

17 “(B) 1.0 percent of the principal amount
18 of the loan with respect to any loan under this
19 part for which the first disbursement was made
20 on or after July 1, 2006.”.

21 **SEC. 2123. ADDITIONAL ADMINISTRATIVE PROVISIONS.**

22 (a) TREATMENT OF EXEMPT CLAIMS.—

23 (1) INSURANCE COVERAGE.—Section
24 428(b)(1)(G) (20 U.S.C. 1078(b)(1)(G)) is amended
25 by inserting before the semicolon at the end the fol-



1 lowing: “and 100 percent of the unpaid principal
2 amount of exempt claims as defined in subsection
3 (c)(1)(G)”.

4 (2) TREATMENT.—Section 428(c)(1) (20
5 U.S.C. 1078(c)(1)) is amended—

6 (A) by redesignating subparagraph (G) as
7 subparagraph (I), and moving such subpara-
8 graph 2 em spaces to the left; and

9 (B) by inserting after subparagraph (F)
10 the following new subparagraph:

11 “(G)(i) Notwithstanding any other provisions of
12 this section, in the case of exempt claims, the Sec-
13 retary shall apply the provisions of—

14 “(I) the fourth sentence of subparagraph
15 (A) by substituting ‘100 percent’ for ‘95 per-
16 cent’;

17 “(II) subparagraph (B)(i) by substituting
18 ‘100 percent’ for ‘85 percent’; and

19 “(III) subparagraph (B)(ii) by substituting
20 ‘100 percent’ for ‘75 percent’.

21 “(ii) For purposes of clause (i) of this subpara-
22 graph, the term ‘exempt claims’ means claims with
23 respect to loans for which it is determined that the
24 borrower (or the student on whose behalf a parent
25 has borrowed), without the lender’s or the institu-



1 tion's knowledge at the time the loan was made, pro-
2 vided false or erroneous information or took actions
3 that caused the borrower or the student to be ineli-
4 gible for all or a portion of the loan or for interest
5 benefits thereon.”.

6 (b) REDUCTION OF INSURANCE PERCENTAGE.—

7 (1) INSURANCE PERCENTAGE REDUCTION.—

8 Section 428(b)(1)(G) as amended by subsection
9 (a)(1) is further amended by inserting after the mat-
10 ter inserted by such subsection the following: “, ex-
11 cept, for any loan for which the first disbursement
12 of principal is made on or after July 1, 2006, the
13 preceding provisions of this subparagraph shall be
14 applied by substituting ‘96 percent’ for ‘98 per-
15 cent’ ”.

16 (2) INCREASE INSURANCE FOR EXCEPTIONAL
17 PERFORMANCE.—Section 428I (20 U.S.C. 1078–9)
18 is amended to read as follows:

19 **“SEC. 428I. SPECIAL INSURANCE AND REINSURANCE RULES**
20 **FOR EXCEPTIONAL PERFORMANCE.**

21 “(a) DESIGNATION OF LENDERS AND SERVICERS.—

22 “(1) IN GENERAL.—Whenever the Secretary de-
23 termines that an eligible lender or servicer meets the
24 performance measures required by paragraph (2),
25 the Secretary shall designate that eligible lender or



1 servicer, as the case may be, for exceptional per-
2 formance. The Secretary shall notify each appro-
3 priate guaranty agency of the eligible lenders and
4 servicers designated under this section.

5 “(2) PERFORMANCE MEASURES.—

6 “(A) In determining whether to award a
7 lender or servicer the exceptional performance
8 designation, the Secretary shall require that the
9 lender or servicer be performing at or above the
10 95 percentile of the industry, and demonstrate
11 improved performance against the lender’s or
12 servicer’s average of the last 3 years on the fac-
13 tors described in subparagraph (B).

14 “(B) The factors on which the Secretary
15 shall require improvement shall include—

16 “(i) delinquency rates;

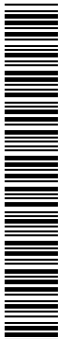
17 “(ii) the rate at which delinquent ac-
18 counts are restored to good standing;

19 “(iii) default rates;

20 “(iv) the rate of rejected claims; and

21 “(v) any other such measures as de-
22 termined by the Secretary.

23 “(C) In addition, the Secretary shall not
24 make any award of such a designation unless



1 the consequence of the designation is cost-neu-
2 tral to the Federal Government.

3 “(3) ADDITIONAL INFORMATION ON LENDERS
4 AND SERVICERS.—Each appropriate guaranty agen-
5 cy shall provide the Secretary with such other infor-
6 mation in its possession regarding an eligible lender
7 or servicer desiring designation as may relate to the
8 Secretary’s determination under paragraph (1), in-
9 cluding but not limited to any information sug-
10 gesting that the application of a lender or servicer
11 for designation should not be approved.

12 “(4) DETERMINATIONS BY THE SECRETARY.—

13 “(A) The Secretary shall designate an eli-
14 gible lender or servicer for exceptional perform-
15 ance if the eligible lender or servicer meets the
16 performance measures required by paragraph
17 (2).

18 “(B) The Secretary shall make the deter-
19 mination under paragraph (1) based upon the
20 documentation submitted by the eligible lender
21 or servicer as specified in regulation, such other
22 information as provided by any guaranty agen-
23 cy under paragraph (3), and any information in
24 the possession of the Secretary or submitted by



1 any other agency or office of the Federal Gov-
2 ernment.

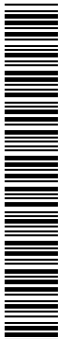
3 “(C) The Secretary shall inform the eligi-
4 ble lender or servicer and the appropriate guar-
5 anty agency that its application for designation
6 as an exceptional performance lender or servicer
7 has been approved or disapproved.

8 “(5) TRANSITION.—

9 “(A) Any eligible lender or servicer des-
10 ignated for exceptional performance as of the
11 day before the date of enactment of the Higher
12 Education Budget Reconciliation Act of 2005
13 shall continue to be so designated, and subject
14 to the requirements of this section as in effect
15 on that day (including revocation), until the
16 performance standards described in paragraph
17 (2) are established.

18 “(B) The Secretary shall not designate any
19 additional eligible lenders or servicers for excep-
20 tional performance until those performance
21 standards are established.

22 “(b) PAYMENT TO LENDERS AND SERVICERS.—A
23 guaranty agency shall pay, to each eligible lender or
24 servicer (as agent for an eligible lender) designated under
25 subsection (a), 98 percent of the unpaid principal and in-

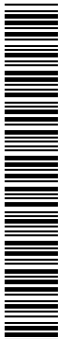


1 terest of all loans for which claims are submitted for pay-
2 ment by that eligible lender or servicer for the one-year
3 period following the receipt by the guaranty agency of the
4 notification of designation under this section, or until the
5 guaranty agency receives notice from the Secretary that
6 the designation of the lender or servicer under subsection
7 (a)(2) has been revoked.

8 “(c) REVOCATION AUTHORITY.—

9 “(1) The Secretary shall revoke the designation
10 of a lender or a servicer under subsection (a) if the
11 Secretary determines that the lender or servicer has
12 failed to meet the performance standards required
13 by subsection (a)(2).

14 “(2) Notwithstanding any other provision of
15 this section, a designation under subsection (a) may
16 be revoked at any time by the Secretary, in the Sec-
17 retary’s discretion, if the Secretary determines that
18 the eligible lender or servicer has failed to meet the
19 criteria and performance standards established by
20 the Secretary in regulation, or if the Secretary be-
21 lieves the lender or servicer may have engaged in
22 fraud in securing designation under subsection (a),
23 or is failing to service loans in accordance with pro-
24 gram regulations.



1 “(d) DOCUMENTATION.—Nothing in this section
2 shall restrict or limit the authority of guaranty agencies
3 to require the submission of claims documentation evi-
4 dencing servicing performed on loans, except that the
5 guaranty agency may not require greater documentation
6 than that required for lenders and servicers not designated
7 under subsection (a).

8 “(e) SPECIAL RULE.—Reimbursements made by the
9 Secretary on loans submitted for claim by an eligible lend-
10 er or loan servicer designated for exceptional performance
11 under this section shall not be subject to additional review
12 by the Secretary or repurchase by the guaranty agency
13 for any reason other than a determination by the Sec-
14 retary that the eligible lender or loan servicer engaged in
15 fraud or other purposeful misconduct in obtaining des-
16 ignation for exceptional performance.

17 “(f) LIMITATION.—Nothing in this section shall be
18 construed to affect the processing of claims on student
19 loans of eligible lenders not subject to this section.

20 “(g) CLAIMS.—A lender or servicer designated under
21 subsection (a) failing to service loans or otherwise comply
22 with applicable program regulations shall be considered in
23 violation of section 3729 of title 31, United States Code.

24 “(h) TERMINATION.—The Secretary may terminate
25 the designation of lenders and servicers under this section



1 if he determines that termination would be in the fiscal
2 interest of the United States.

3 “(i) DEFINITIONS.—As used in this section—

4 “(1) the term ‘eligible loan’ means a loan made,
5 insured, or guaranteed under this part; and

6 “(2) the term ‘servicer’ means an entity serv-
7 icing and collecting student loans that—

8 “(A) has substantial experience in serv-
9 icing and collecting consumer loans or student
10 loans;

11 “(B) has an independent financial audit
12 annually which is furnished to the Secretary
13 and any other parties designated by the Sec-
14 retary;

15 “(C) has business systems which are capa-
16 ble of meeting the requirements of this part;

17 “(D) has adequate personnel who are
18 knowledgeable about the student loan programs
19 authorized by this part; and

20 “(E) does not have any owner, majority
21 shareholder, director, or officer of the entity
22 who has been convicted of a felony.”.

23 (3) EFFECTIVE DATE OF AMENDMENTS.—The
24 amendments made by this subsection shall apply



1 with respect to loans for which the first disburse-
2 ment of principal is made on or after July 1, 2006.

3 (c) DOCUMENTATION OF FORBEARANCE AGREE-
4 MENTS.—Section 428(c) (20 U.S.C. 1078(c)) is further
5 amended—

6 (1) in paragraph (3)(A)(i)—

7 (A) by striking “in writing”; and

8 (B) by inserting “and documented in ac-
9 cordance with paragraph (10)” after “approval
10 of the insurer”; and

11 (2) by adding at the end the following new
12 paragraph:

13 “(10) DOCUMENTATION OF FORBEARANCE
14 AGREEMENTS.—For the purposes of paragraph (3),
15 the terms of forbearance agreed to by the parties
16 shall be documented by confirming the agreement of
17 the borrower by notice to the borrower from the
18 lender, and by recording the terms in the borrower’s
19 file.”.

20 (d) CONSOLIDATION OF DEFAULTED LOANS.—Sec-
21 tion 428(c) (20 U.S.C. 1078(c)) is further amended—

22 (1) in paragraph (2)(A)—

23 (A) by inserting “(i)” after “including”;

24 and



1 (B) by inserting before the semicolon at
2 the end the following: “and (ii) requirements es-
3 tablishing procedures to preclude consolidation
4 lending from being an excessive proportion of
5 guaranty agency recoveries on defaulted loans
6 under this part”;

7 (2) in paragraph (2)(D), by striking “para-
8 graph (6)” and inserting “paragraph (6)(A)”; and
9 (3) in paragraph (6)—

10 (A) by inserting “(A)” before “For the
11 purpose of paragraph (2)(D),”;

12 (B) by redesignating subparagraphs (A)
13 and (B) as clauses (i) and (ii), respectively; and

14 (C) by adding at the end the following new
15 subparagraphs:

16 “(B) A guaranty agency shall—

17 “(i) on or after October 1, 2006—

18 “(I) not charge the borrower collec-
19 tion costs in an amount in excess of 18.5
20 percent of the outstanding principal and
21 interest of a defaulted loan that is paid off
22 through consolidation by the borrower
23 under this title; and

24 “(II) remit to the Secretary a portion
25 of the collection charge under subclause (I)



1 equal to 8.5 percent of the outstanding
2 principal and interest of such defaulted
3 loan; and

4 “(ii) on and after October 1, 2009, remit
5 to the Secretary the entire amount charged
6 under clause (i)(I) with respect to each de-
7 faulted loan that is paid off with excess consoli-
8 dation proceeds.

9 “(C) For purposes of subparagraph (B), the
10 term ‘excess consolidation proceeds’ means, with re-
11 spect to any guaranty agency for any Federal fiscal
12 year beginning on or after October 1, 2009, the pro-
13 ceeds of consolidation of defaulted loans under this
14 title that exceed 45 percent of the agency’s total col-
15 lections on defaulted loans in such Federal fiscal
16 year.”.

17 (e) COLLECTION RETENTION PERCENTAGES.—
18 Clause (ii) of section 428(c)(6)(B) (20 U.S.C.
19 1078(c)(6)(B)), as redesignated by subsection (d)(3) of
20 this section, is amended to read as follows:

21 “(ii) an amount equal to 24 percent of
22 such payments for use in accordance with sec-
23 tion 422B, except that—

24 “(I) beginning on October 1, 2003,
25 and ending on October 1, 2006, this clause



1 shall be applied by substituting ‘23 per-
2 cent’ for ‘24 percent’; and

3 “(II) beginning on October 1, 2006,
4 this clause shall be applied by substituting
5 ‘20 percent’ for ‘24 percent’.”.

6 (f) VOLUNTARY FLEXIBLE AGREEMENTS.—Section
7 428A (20 U.S.C. 1078–1) is amended—

8 (1) in subsection (a)(1)(B), by striking “unless
9 the Secretary” and all that follows through “des-
10 ignated guarantor”;

11 (2) by striking paragraph (2) of subsection (a);

12 (3) in paragraph (4)(B) of subsection (a), by
13 striking “and any waivers provided to other guar-
14 anty agencies under paragraph (2)”;

15 (4) by redesignating paragraphs (3) and (4) of
16 subsection (a) as paragraphs (2) and (3), respec-
17 tively; and

18 (5) by striking paragraph (3) of subsection (c)
19 and inserting the following:

20 “(3) NOTICE TO INTERESTED PARTIES.—Once
21 the Secretary reaches a tentative agreement in prin-
22 ciple under this section, the Secretary shall publish
23 in the Federal Register a notice that invites inter-
24 ested parties to comment on the proposed agree-
25 ment. The notice shall state how to obtain a copy of



1 the tentative agreement in principle and shall give
2 interested parties no less than 30 days to provide
3 comments. The Secretary may consider such com-
4 ments prior to providing the notices pursuant to
5 paragraph (2).”.

6 (g) FRAUD: REPAYMENT REQUIRED.—Section
7 428B(a)(1) (20 U.S.C. 1078–2(a)(1)) is amended—

8 (1) by striking “and” at the end of subpara-
9 graph (A);

10 (2) by redesignating subparagraph (B) as sub-
11 paragraph (C); and

12 (3) by inserting after subparagraph (A) the fol-
13 lowing new subparagraph:

14 “(B) in the case of a parent who has been
15 convicted of, or has pled nolo contendere or
16 guilty to, a crime involving fraud in obtaining
17 funds under this title, such parent has com-
18 pleted the repayment of such funds to the Sec-
19 retary, or to the holder in the case of a loan
20 under this title obtained by fraud; and”.

21 (h) DEFAULT REDUCTION PROGRAM.—Section
22 428F(a)(1) (20 U.S.C. 1078–6(a)(1)) is amended—

23 (1) in subparagraph (A), by striking “consecu-
24 tive payments for 12 months” and inserting “9 pay-



1 ments made within 20 days of the due date during
2 10 consecutive months”;

3 (2) by redesignating subparagraph (C) as sub-
4 paragraph (D); and

5 (3) by inserting after subparagraph (B) the fol-
6 lowing new subparagraph:

7 “(C) A guaranty agency may charge the
8 borrower and retain collection costs in an
9 amount not to exceed 18.5 percent of the out-
10 standing principal and interest at the time of
11 sale of a loan rehabilitated under subparagraph
12 (A).”.

13 (i) FINANCIAL AND ECONOMIC LITERACY.—

14 (1) DEFAULT REDUCTION PROGRAM.—Section
15 428F is further amended by adding at the end the
16 following:

17 “(c) FINANCIAL AND ECONOMIC LITERACY.—Where
18 appropriate, each program described under subsection (b)
19 shall include making financial and economic education ma-
20 terials available to the borrower.”.

21 (2) PROGRAM ASSISTANCE FOR BORROWERS.—

22 Section 432(k)(1) (20 U.S.C. 1082(k)(1)) is amend-
23 ed by striking “and offering” and all that follows
24 through the period and inserting “, offering loan re-
25 payment matching provisions as part of employee



1 benefit packages, and providing employees with fi-
2 nancial and economic education and counseling.”.

3 (j) CREDIT BUREAU ORGANIZATION AGREEMENTS.—
4 Section 430A(a) (20 U.S.C. 1080a(a)) is amended by
5 striking “agreements with credit bureau organizations”
6 and inserting “an agreement with each national credit bu-
7 reau organization (as described in section 603(p) of the
8 Fair Credit Reporting Act)”.

9 (k) UNIFORM ADMINISTRATIVE AND CLAIMS PROCE-
10 DURE.—Section 432(l)(1)(H) (20 U.S.C. 1082(l)(1)(H))
11 is amended by inserting “and anticipated graduation
12 date” after “status change”.

13 (l) DEFAULT REDUCTION MANAGEMENT.—Section
14 432 is further amended—

15 (1) by striking subsection (n); and

16 (2) by redesignating subsections (o) and (p) as
17 subsections (n) and (o), respectively.

18 (m) SCHOOLS AS LENDERS.—Paragraph (2) of sec-
19 tion 435(d) (20 U.S.C. 1085(d)(2)) is amended to read
20 as follows:

21 “(2) REQUIREMENTS FOR ELIGIBLE INSTITU-
22 TIONS.—

23 “(A) IN GENERAL.—To be an eligible lend-
24 er under this part, an eligible institution—



1 “(i) shall employ at least one person
2 whose full-time responsibilities are limited
3 to the administration of programs of finan-
4 cial aid for students attending such institu-
5 tion;

6 “(ii) shall not be a home study school;

7 “(iii) shall not—

8 “(I) make a loan to any under-
9 graduate student;

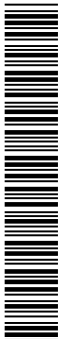
10 “(II) make a loan other than a
11 loan under section 428 or 428H to a
12 graduate or professional student; or

13 “(III) make a loan to a borrower
14 who is not enrolled at that institution;

15 “(iv) shall award any contract for fi-
16 nancing, servicing, or administration of
17 loans under this title on a competitive
18 basis;

19 “(v) shall offer loans that carry an
20 origination fee or an interest rate, or both,
21 that are less than such fee or rate author-
22 ized under the provisions of this title;

23 “(vi) shall not have a cohort default
24 rate (as defined in section 435(m)) greater
25 than 10 percent;



1 “(vii) shall, for any year for which the
2 institution engages in activities as an eligi-
3 ble lender, provide for a compliance audit
4 conducted in accordance with section
5 428(b)(1)(U)(iii)(I), and the regulations
6 thereunder, and submit the results of such
7 audit to the Secretary; and

8 “(viii) shall use any proceeds from
9 special allowance payments and interest
10 payments from borrowers, interest sub-
11 sidies received from the Department of
12 Education, and any proceeds from the sale
13 or other disposition of loans, for need-
14 based grant programs.

15 “(B) ADMINISTRATIVE EXPENSES.—An el-
16 igible lender under subparagraph (A) shall be
17 permitted to use a portion of the proceeds de-
18 scribed in subparagraph (A)(viii) for reasonable
19 and direct administrative expenses.

20 “(C) SUPPLEMENT, NOT SUPPLANT.—An
21 eligible lender under subparagraph (A) shall en-
22 sure that the proceeds described in subpara-
23 graph (A)(viii) are used to supplement, and not
24 to supplant, non-Federal funds that would oth-



1 erwise be used for need-based grant pro-
2 grams.”.

3 (n) DISABILITY DETERMINATIONS.—Section 437(a)
4 (20 U.S.C. 1087(a)) is amended by adding at the end the
5 following new sentence: “In making such determination of
6 permanent and total disability, the Secretary shall not re-
7 quire a borrower who has been certified as permanently
8 and totally disabled by the Department of Veterans Af-
9 fairs or the Social Security Administration to present fur-
10 ther documentation of disability for purposes of this
11 title.”.

12 (o) TREATMENT OF FALSELY CERTIFIED BOR-
13 ROWERS.—Section 437(c)(1) (20 U.S.C. 1087(c)(1)) is
14 amended by inserting “or parent’s eligibility” after “such
15 student’s eligibility”.

16 (p) PERFECTION OF SECURITY INTERESTS.—Section
17 439(d) (20 U.S.C. 1087–2(d)) is amended—

18 (1) by striking paragraph (3); and

19 (2) by redesignating paragraphs (4) and (5) as
20 paragraphs (3) and (4), respectively.

21 (q) ADDITIONAL TECHNICAL AMENDMENTS.—

22 (1) Section 428(a)(2)(A) (20 U.S.C.
23 1078(a)(2)(A)) is amended—

24 (A) by striking “and” at the end of sub-
25 clause (II) of clause (i); and



1 (B) by moving the margin of clause (iii)
2 two ems to the left.

3 (2) Section 428(a)(3)(A)(v) (20 U.S.C.
4 1078(a)(3)(A)(v)) is amended—

5 (A) by striking “or” at the end of sub-
6 clause (I);

7 (B) by striking the period at the end of
8 subclause (II) and inserting “; or”; and

9 (C) by adding after subclause (II) the fol-
10 lowing new subclause:

11 “(III) in the case of a loan disbursed
12 through an escrow agent, 3 days before the first
13 disbursement of the loan.”.

14 (3) Section 428(c)(1)(A) (20 U.S.C.
15 1078(c)(1)(A)) is amended by striking “45 days” in
16 the last sentence and inserting “30 days”.

17 (4) Section 428(i)(1) (20 U.S.C. 1078(i)(1)) is
18 amended by striking “21 days” in the third sentence
19 and inserting “10 days”.

20 (5) Section 428G(e) (20 U.S.C. 1078–7(e)) is
21 amended by striking “, made to a student to cover
22 the cost of attendance at an eligible institution out-
23 side the United States,”.



1 (6) Section 428H(e) (20 U.S.C. 1078–8(e)) is
2 amended by striking paragraph (6) and inserting the
3 following:

4 “(6) TIME LIMITS ON BILLING INTEREST.—A
5 lender may not receive interest on a loan under this
6 section from a borrower for any period that precedes
7 the dates described in section 428(a)(3)(A)(v).”.

8 (7) Section 432(m)(1)(B) (20 U.S.C.
9 1082(m)(1)(B)) is amended—

10 (A) in clause (i), by inserting “and” after
11 the semicolon at the end; and

12 (B) in clause (ii), by striking “; and” and
13 inserting a period.

14 (8) Section 438(b)(4)(B) (20 U.S.C. 1087–
15 1(b)(4)(B)) is amended by striking “shall be com-
16 puted” and all that follows through “to the loan”
17 and inserting “described in subparagraph (A) shall
18 be computed using the interest rate described in sec-
19 tion 3902(a) of title 31, United States Code,”.

20 **SEC. 2124. FUNDS FOR ADMINISTRATIVE EXPENSES.**

21 Section 458 is amended to read as follows:

22 **“SEC. 458. FUNDS FOR ADMINISTRATIVE EXPENSES.**

23 “(a) ADMINISTRATIVE EXPENSES.—

24 “(1) MANDATORY FUNDS FOR FISCAL YEAR
25 2006.—For fiscal year 2006, there shall be available



1 to the Secretary, from funds not otherwise appro-
2 priated, funds to be obligated for—

3 “(A) administrative costs under this part
4 and part B, including the costs of the direct
5 student loan programs under this part; and

6 “(B) account maintenance fees payable to
7 guaranty agencies under part B and calculated
8 in accordance with subsections (b) and (c),
9 not to exceed (from such funds not otherwise appro-
10 priated) \$820,000,000 in fiscal year 2006.

11 “(2) AUTHORIZATION FOR ADMINISTRATIVE
12 COSTS BEGINNING IN FISCAL YEAR 2007.—For each
13 of the fiscal years 2007 through 2011, there are au-
14 thorized to be appropriated such sums as may be
15 necessary for administrative costs under this part
16 and part B, including the costs of the direct student
17 loan programs under this part.

18 “(3) CONTINUING MANDATORY FUNDS FOR AC-
19 COUNT MAINTENANCE FEES.—For each of the fiscal
20 years 2007 through 2011, there shall be available to
21 the Secretary, from funds not otherwise appro-
22 priated, funds to be obligated for account mainte-
23 nance fees payable to guaranty agencies under part
24 B and calculated in accordance with subsection (b).

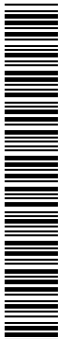


1 “(4) ACCOUNT MAINTENANCE FEES.—Account
2 maintenance fees under paragraph (3) shall be paid
3 quarterly and deposited in the Agency Operating
4 Fund established under section 422B.

5 “(5) CARRYOVER.—The Secretary may carry
6 over funds made available under this section to a
7 subsequent fiscal year.

8 “(b) CALCULATION BASIS.—Account maintenance
9 fees payable to guaranty agencies under subsection (a)(3)
10 shall not exceed the basis of 0.10 percent of the original
11 principal amount of outstanding loans on which insurance
12 was issued under part B.

13 “(c) BUDGET JUSTIFICATION.—No funds may be ex-
14 pended under this section unless the Secretary includes
15 in the Department of Education’s annual budget justifica-
16 tion to Congress a detailed description of the specific ac-
17 tivities for which the funds made available by this section
18 have been used in the prior and current years (if applica-
19 ble), the activities and costs planned for the budget year,
20 and the projection of activities and costs for each remain-
21 ing year for which administrative expenses under this sec-
22 tion are made available.”.



1 **SEC. 2125. SIGNIFICANTLY SIMPLIFYING THE STUDENT AID**
2 **APPLICATION PROCESS.**

3 (a) EXPANDING THE AUTO-ZERO AND FURTHER
4 SIMPLIFYING THE SIMPLIFIED NEEDS TEST.—

5 (1) SIMPLIFIED NEEDS TEST.—Section 479 (20
6 U.S.C. 1087ss) is amended—

7 (A) in subsection (b)—

8 (i) in paragraph (1)—

9 (I) by striking clause (i) of sub-
10 paragraph (A) and inserting the fol-
11 lowing:

12 “(i) the student’s parents file, or are
13 eligible to file, a form described in para-
14 graph (3) or certify that they are not re-
15 quired to file an income tax return, and
16 the student files, or is eligible to file, such
17 a form or certifies that the student is not
18 required to file an income tax return, or
19 the student’s parents, or the student, re-
20 ceived benefits at some time during the
21 previous 12-month period under a means-
22 tested Federal benefit program as defined
23 under subsection (d); and”; and

24 (II) by striking clause (i) of sub-
25 paragraph (B) and inserting the fol-
26 lowing:



1 “(i) the student (and the student’s
2 spouse, if any) files, or is eligible to file, a
3 form described in paragraph (3) or cer-
4 tifies that the student (and the student’s
5 spouse, if any) is not required to file an in-
6 come tax return, or the student (and the
7 student’s spouse, if any) received benefits
8 at some time during the previous 12-month
9 period under a means-tested Federal ben-
10 efit program as defined under subsection
11 (d); and”; and

12 (ii) in paragraph (3), by striking “A
13 student or family files a form described in
14 this subsection, or subsection (c), as the
15 case may be, if the student or family, re-
16 spectively, files” and inserting “In the case
17 of an independent student, the student, or
18 in the case of a dependent student, the
19 parent, files a form described in this sub-
20 section, or subsection (c), as the case may
21 be, if the student or parent, as appro-
22 priate, files”;

23 (B) in subsection (c)—

24 (i) in paragraph (1), by striking sub-
25 paragraph (A) and inserting the following:

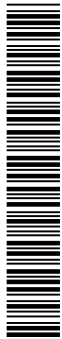


1 “(A) the student’s parents file, or are eligi-
2 ble to file, a form described in subsection (b)(3)
3 or certify that they are not required to file an
4 income tax return, and the student files, or is
5 eligible to file, such a form or certifies that the
6 student is not required to file an income tax re-
7 turn, or the student’s parents, or the student,
8 received benefits at some time during the pre-
9 vious 12-month period under a means-tested
10 Federal benefit program as defined in sub-
11 section (d); and”;

12 (ii) in paragraph (2), by striking sub-
13 paragraph (A) and inserting the following:

14 “(A) the student (and the student’s
15 spouse, if any) files, or is eligible to file, a form
16 described in subsection (b)(3) or certifies that
17 the student (and the student’s spouse, if any)
18 is not required to file an income tax return, or
19 the student (and the student’s spouse, if any)
20 received benefits at some time during the pre-
21 vious 12-month period under a means-tested
22 Federal benefit program as defined in sub-
23 section (d); and”;

24 (C) by adding at the end the following new
25 subsections:



1 “(d) DEFINITION OF MEANS-TESTED FEDERAL
2 BENEFIT PROGRAM.—For the purposes of this section,
3 the term ‘means-tested Federal benefit program’ means
4 a mandatory spending program of the Federal Govern-
5 ment, other than a program under this title, in which eligi-
6 bility for the program’s benefits, or the amount of such
7 benefits, or both, are determined on the basis of income
8 or resources of the individual or family seeking the benefit,
9 and may include such programs as the supplemental secu-
10 rity income program under title XVI of the Social Security
11 Act, the food stamp program under the Food Stamp Act
12 of 1977, the free and reduced price school lunch program
13 established under the Richard B. Russell National School
14 Lunch Act, the temporary assistance to needy families
15 program established under part A of title IV of the Social
16 Security Act, and the women, infants and children pro-
17 gram established under Section 17 of the Child Nutrition
18 Act of 1966, and other programs identified by the Sec-
19 retary.

20 “(e) REPORTING REQUIREMENTS.—The Secretary
21 shall regularly evaluate the impact of the eligibility guide-
22 lines in subsections (b)(1)(A)(i), (b)(1)(B)(i), (c)(1)(A)
23 and (c)(2)(A) of this section. In particular, the Secretary
24 shall evaluate whether using receipt of benefits under a
25 means-tested Federal benefit program (as defined in sub-



1 section (d)) for eligibility continues to target the Sim-
2 plified Needs Test, to the greatest extent possible, for use
3 by low- and moderate-income students and their fami-
4 lies.”.

5 (b) IMPROVEMENTS TO PAPER AND ELECTRONIC
6 FORMS.—

7 (1) COMMON FINANCIAL AID FORM DEVELOP-
8 MENT AND PROCESSING.—Section 483(a) (20 U.S.C.
9 1090(a)) is amended—

10 (A) by striking paragraphs (1), (2), and
11 (5);

12 (B) by redesignating paragraphs (3), (4),
13 (6), and (7), as paragraphs (9), (10), (11), and
14 (12), respectively;

15 (C) by inserting before paragraph (9), as
16 redesignated by subparagraph (B), the fol-
17 lowing:

18 “(1) IN GENERAL.—The Secretary, in coopera-
19 tion with representatives of agencies and organiza-
20 tions involved in student financial assistance, shall
21 produce, distribute, and process free of charge com-
22 mon financial reporting forms as described in this
23 subsection to be used for application and reapplica-
24 tion to determine the need and eligibility of a stu-
25 dent for financial assistance under parts A through



1 E (other than subpart 4 of part A). These forms
2 shall be made available to applicants in both paper
3 and electronic formats and shall be referred to as
4 the ‘Free Application for Federal Student Aid’ or
5 the ‘FAFSA’ .

6 “(2) EARLY ESTIMATES.—

7 “(A) IN GENERAL.—The Secretary shall
8 permit applicants to complete such forms as de-
9 scribed in this subsection in the 4 years prior
10 to enrollment in order to obtain a non-binding
11 estimate of the family contribution, as defined
12 in section 473. The estimate shall clearly and
13 conspicuously indicate that it is only an esti-
14 mate of family contribution, and may not re-
15 flect the actual family contribution of the appli-
16 cant that shall be used to determine the grant,
17 loan, or work assistance that the applicant may
18 receive under this title when enrolled in a pro-
19 gram of postsecondary education. Such appli-
20 cants shall be permitted to update information
21 submitted on forms described in this subsection
22 using the process required under paragraph
23 (5)(A).

24 “(B) EVALUATION.—Two years after the
25 early estimates are implemented under this



1 paragraph and from data gathered from the
2 early estimates, the Secretary shall evaluate the
3 differences between initial, non-binding early es-
4 timates and the final financial aid award made
5 available under this title.

6 “(C) REPORT.—The Secretary shall pro-
7 vide a report to the authorizing committees on
8 the results of the evaluation.

9 “(3) PAPER FORMAT.—

10 “(A) IN GENERAL.—The Secretary shall
11 produce, distribute, and process common forms
12 in paper format to meet the requirements of
13 paragraph (1). The Secretary shall develop a
14 common paper form for applicants who do not
15 meet the requirements of subparagraph (B).

16 “(B) EZ FAFSA.—

17 “(i) IN GENERAL.—The Secretary
18 shall develop and use a simplified paper
19 application form, to be known as the ‘EZ
20 FAFSA’, to be used for applicants meeting
21 the requirements of section 479(c).

22 “(ii) REDUCED DATA REQUIRE-
23 MENTS.—The form under this subpara-
24 graph shall permit an applicant to submit,
25 for financial assistance purposes, only the



1 data elements required to make a deter-
2 mination of whether the applicant meets
3 the requirements under section 479(c).

4 “(iii) STATE DATA.—The Secretary
5 shall include on the form under this sub-
6 paragraph such data items as may be nec-
7 essary to award State financial assistance,
8 as provided under paragraph (6), except
9 that the Secretary shall not include a
10 State’s data if that State does not permit
11 its applicants for State assistance to use
12 the form under this subparagraph.

13 “(iv) FREE AVAILABILITY AND PROC-
14 ESSING.—The provisions of paragraph (7)
15 shall apply to the form under this subpara-
16 graph, and the data collected by means of
17 the form under this subparagraph shall be
18 available to institutions of higher edu-
19 cation, guaranty agencies, and States in
20 accordance with paragraph (9).

21 “(v) TESTING.—The Secretary shall
22 conduct appropriate field testing on the
23 form under this subparagraph.

24 “(C) PROMOTING THE USE OF ELEC-
25 TRONIC FAFSA.—



1 “(i) IN GENERAL.—The Secretary
2 shall—

3 “(I) develop a form that uses
4 skip logic to simplify the application
5 process for applicants; and

6 “(II) make all efforts to encour-
7 age applicants to utilize the electronic
8 forms described in paragraph (4).

9 “(ii) MAINTENANCE OF THE FAFSA IN
10 A PRINTABLE ELECTRONIC FILE.—The
11 Secretary shall maintain a version of the
12 paper forms described in subparagraphs
13 (A) and (B) in a printable electronic file
14 that is easily portable. The printable elec-
15 tronic file will be made easily accessible
16 and downloadable to students on the same
17 website used to provide students with the
18 electronic application forms described in
19 paragraph (4) of this subsection. The Sec-
20 retary shall enable students to submit a
21 form created under this subparagraph that
22 is downloaded and printed from an elec-
23 tronic file format in order to meet the fil-
24 ing requirements of this section and in



1 order to receive aid from programs under
2 this title.

3 “(iii) REPORTING REQUIREMENT.—

4 The Secretary shall report annually to
5 Congress on the impact of the digital di-
6 vide on students completing applications
7 for title IV aid described under this para-
8 graph and paragraph (4). The Secretary
9 will also report on the steps taken to elimi-
10 nate the digital divide and phase out the
11 paper form described in subparagraph (A)
12 of this paragraph. The Secretary’s report
13 will specifically address the impact of the
14 digital divide on the following student pop-
15 ulations: dependent students, independent
16 students without dependents, and inde-
17 pendent students with dependents other
18 than a spouse.

19 “(4) ELECTRONIC FORMAT.—

20 “(A) IN GENERAL.—The Secretary shall
21 produce, distribute, and process common forms
22 in electronic format to meet the requirements of
23 paragraph (1). The Secretary shall develop
24 common electronic forms for applicants who do



1 not meet the requirements of subparagraph (C)
2 of this paragraph.

3 “(B) STATE DATA.—The Secretary shall
4 include on the common electronic forms space
5 for information that needs to be submitted from
6 the applicant to be eligible for State financial
7 assistance, as provided under paragraph (6), ex-
8 cept the Secretary shall not require applicants
9 to complete data required by any State other
10 than the applicant’s State of residence.

11 “(C) SIMPLIFIED APPLICATIONS: FAFSA ON
12 THE WEB.—

13 “(i) IN GENERAL.—The Secretary
14 shall develop and use a simplified elec-
15 tronic application form to be used by appli-
16 cants meeting the requirements under sub-
17 section (c) of section 479 and an addi-
18 tional, separate simplified electronic appli-
19 cation form to be used by applicants meet-
20 ing the requirements under subsection (b)
21 of section 479.

22 “(ii) REDUCED DATA REQUIRE-
23 MENTS.—The simplified electronic applica-
24 tion forms shall permit an applicant to
25 submit for financial assistance purposes



1 only the data elements required to make a
2 determination of whether the applicant
3 meets the requirements under subsection
4 (b) or (c) of section 479.

5 “(iii) STATE DATA.—The Secretary
6 shall include on the simplified electronic
7 application forms such data items as may
8 be necessary to award state financial as-
9 sistance, as provided under paragraph (6),
10 except that the Secretary shall not require
11 applicants to complete data required by
12 any State other than the applicant’s State
13 of residence.

14 “(iv) AVAILABILITY AND PROC-
15 ESSING.—The data collected by means of
16 the simplified electronic application forms
17 shall be available to institutions of higher
18 education, guaranty agencies, and States
19 in accordance with paragraph (9).

20 “(v) TESTING.—The Secretary shall
21 conduct appropriate field testing on the
22 forms developed under this subparagraph.

23 “(D) USE OF FORMS.—Nothing in this
24 subsection shall be construed to prohibit the use
25 of the forms developed by the Secretary pursu-



1 ant to this paragraph by an eligible institution,
2 eligible lender, guaranty agency, State grant
3 agency, private computer software provider, a
4 consortium thereof, or such other entities as the
5 Secretary may designate.

6 “(E) PRIVACY.—The Secretary shall en-
7 sure that data collection under this paragraph
8 complies with section 552a of title 5, United
9 States Code, and that any entity using the elec-
10 tronic version of the forms developed by the
11 Secretary pursuant to this paragraph shall
12 maintain reasonable and appropriate adminis-
13 trative, technical, and physical safeguards to
14 ensure the integrity and confidentiality of the
15 information, and to protect against security
16 threats, or unauthorized uses or disclosures of
17 the information provided on the electronic ver-
18 sion of the forms. Data collected by such elec-
19 tronic version of the forms shall be used only
20 for the application, award, and administration
21 of aid awarded under this title, State aid, or aid
22 awarded by eligible institutions or such entities
23 as the Secretary may designate. No data col-
24 lected by such electronic version of the forms
25 shall be used for making final aid awards under



1 this title until such data have been processed by
2 the Secretary or a contractor or designee of the
3 Secretary, and an expected family contribution
4 has been calculated by the Secretary, except as
5 may be permitted under this title.

6 “(F) SIGNATURE.—Notwithstanding any
7 other provision of this Act, the Secretary may
8 permit an electronic form under this paragraph
9 to be submitted with an electronic signature.

10 “(5) STREAMLINING.—

11 “(A) STREAMLINED REAPPLICATION PROC-
12 ESS.—

13 “(i) IN GENERAL.—The Secretary
14 shall develop streamlined reapplication
15 forms and processes, including both paper
16 and electronic reapplication processes, con-
17 sistent with the requirements of this sub-
18 section, for an applicant who applies for fi-
19 nancial assistance under this title—

20 “(I) in the academic year suc-
21 ceeding the year in which such appli-
22 cant first applied for financial assist-
23 ance under this title; or

24 “(II) in any succeeding academic
25 years.



1 “(ii) MECHANISMS FOR REAPPLICA-
2 TION.—The Secretary shall develop appro-
3 priate mechanisms to support reapplica-
4 tion.

5 “(iii) IDENTIFICATION OF UPDATED
6 DATA.—The Secretary shall determine, in
7 cooperation with States, institutions of
8 higher education, agencies, and organiza-
9 tions involved in student financial assist-
10 ance, the data elements that can be up-
11 dated from the previous academic year’s
12 application.

13 “(iv) REDUCED DATA AUTHORIZED.—
14 Nothing in this title shall be construed as
15 limiting the authority of the Secretary to
16 reduce the number of data elements re-
17 quired of reapplicants.

18 “(v) ZERO FAMILY CONTRIBUTION.—
19 Applicants determined to have a zero fam-
20 ily contribution pursuant to section 479(c)
21 shall not be required to provide any finan-
22 cial data in a reapplication form, except
23 that which is necessary to determine eligi-
24 bility under such section.

25 “(B) REDUCTION OF DATA ELEMENTS.—

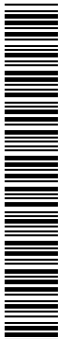


1 “(i) REDUCTION ENCOURAGED.—Of
2 the number of data elements on the
3 FAFSA on the date of enactment of the
4 Higher Education Budget Reconciliation
5 Act of 2005 (including questions on the
6 FAFSA for the purposes described in
7 paragraph (6)), the Secretary, in coopera-
8 tion with representatives of agencies and
9 organizations involved in student financial
10 assistance, shall continue to reduce the
11 number of such data elements following
12 the date of enactment. Reductions of data
13 elements under paragraph (3)(B), (4)(C),
14 or (5)(A)(iv) shall not be counted towards
15 the reduction referred to in this paragraph
16 unless those data elements are reduced for
17 all applicants.

18 “(ii) REPORT.—The Secretary shall
19 annually report to the House of Represent-
20 atives and the Senate on the progress
21 made of reducing data elements.

22 “(6) STATE REQUIREMENTS.—

23 “(A) IN GENERAL.—The Secretary shall
24 include on the forms developed under this sub-
25 section, such State-specific data items as the



1 Secretary determines are necessary to meet
2 State requirements for State need-based finan-
3 cial aid under section 415C, except as provided
4 in paragraphs (3)(B)(iii) and (4)(C)(iii) of this
5 subsection. Such items shall be selected in con-
6 sultation with State agencies in order to assist
7 in the awarding of State financial assistance in
8 accordance with the terms of this subsection,
9 except as provided in paragraphs (3)(B)(iii) and
10 (4)(C)(iii) of this subsection. The number of
11 such data items shall not be less than the num-
12 ber included on the form on October 7, 1998,
13 unless a State notifies the Secretary that the
14 State no longer requires those data items for
15 the distribution of State need-based financial
16 aid.

17 “(B) ANNUAL REVIEW.—The Secretary
18 shall conduct an annual review process to deter-
19 mine which forms and data items the States re-
20 quire to award State need-based financial aid
21 and other application requirements that the
22 States may impose.

23 “(C) STATE USE OF SIMPLIFIED FORMS.—
24 The Secretary shall encourage States to take
25 such steps as necessary to encourage the use of



1 simplified application forms, including those de-
2 scribed in paragraphs (3)(B) and (4)(C), to
3 meet the requirements under subsection (b) or
4 (c) of section 479.

5 “(D) FEDERAL REGISTER NOTICE.—The
6 Secretary shall publish on an annual basis a no-
7 tice in the Federal Register requiring State
8 agencies to inform the Secretary—

9 “(i) if the State agency is unable to
10 permit applicants to utilize the simplified
11 application forms described in paragraphs
12 (3)(B) and (4)(C); and

13 “(ii) of the State-specific data that
14 the State agency requires for delivery of
15 State need-based financial aid.

16 “(E) STATE NOTIFICATION TO THE SEC-
17 RETARY.—

18 “(i) IN GENERAL.—Each State agency
19 shall notify the Secretary—

20 “(I) whether the State permits
21 an applicant to file a form described
22 in paragraph (3)(B) or paragraph
23 (4)(C) of this subsection for purposes
24 of determining eligibility for State
25 need-based financial aid; and



1 “(II) the State-specific data that
2 the State agency requires for delivery
3 of State need-based financial aid.

4 “(ii) ACCEPTANCE OF FORMS.—In the
5 event that a State does not permit an ap-
6 plicant to file a form described in para-
7 graph (3)(B) or paragraph (4)(C) of this
8 subsection for purposes of determining eli-
9 gibility for State need-based financial
10 aid—

11 “(I) the State shall notify the
12 Secretary if the State is not permitted
13 to do so because of either State law or
14 because of agency policy; and

15 “(II) the notification under sub-
16 clause (I) shall include an estimate of
17 the program cost to permit applicants
18 to complete simplified application
19 forms under paragraphs (3)(B) and
20 paragraph (4)(C) of this subsection.

21 “(iii) LACK OF NOTIFICATION BY THE
22 STATE.—If a State does not notify the
23 Secretary pursuant to clause (i), the Sec-
24 retary shall—

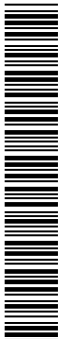


1 “(I) permit residents of that
2 State to complete simplified applica-
3 tion forms under paragraphs (3)(B)
4 and paragraph (4)(C) of this sub-
5 section; and

6 “(II) not require any resident of
7 that State to complete any data pre-
8 viously required by that State under
9 this section.

10 “(7) CHARGES TO STUDENTS AND PARENTS
11 FOR USE OF FORMS PROHIBITED.—

12 “(A) FEES PROHIBITED.—The FAFSA, in
13 whatever form (including the EZ-FAFSA,
14 paper, electronic, simplified, or reapplication),
15 shall be produced, distributed, and processed by
16 the Secretary and no parent or student shall be
17 charged a fee by any entity for the collection,
18 processing, or delivery of financial aid through
19 the use of the FAFSA. The need and eligibility
20 of a student for financial assistance under parts
21 A through E of this title (other than under sub-
22 part 4 of part A) may only be determined by
23 using the FAFSA developed by the Secretary
24 pursuant to this subsection. No student may re-
25 ceive assistance under parts A through E of



1 this title (other than under subpart 4 of part
2 A), except by use of the FAFSA developed by
3 the Secretary pursuant to this subsection. No
4 data collected on a form, worksheet, or other
5 document for which a fee is charged shall be
6 used to complete the FAFSA.

7 “(B) NOTICE.—Any entity that provides to
8 students or parents, or charges students or par-
9 ents for, any value-added services with respect
10 to or in connection with the FAFSA, such as
11 completion of the FAFSA, submission of the
12 FAFSA, or tracking of the FAFSA for a stu-
13 dent, shall provide to students and parents
14 clear and conspicuous notice that—

15 “(i) the FAFSA is a free Federal stu-
16 dent aid application;

17 “(ii) the FAFSA can be completed
18 without professional assistance; and

19 “(iii) includes the current Internet ad-
20 dress for the FAFSA on the Department’s
21 web site.

22 “(8) APPLICATION PROCESSING CYCLE.—The
23 Secretary shall enable students to submit a form
24 created under this subsection in order to meet the
25 filing requirements of this section and in order to re-



1 ceive aid from programs under this title and shall
2 initiate the processing of applications under this
3 subsection as early as practicable prior to January
4 1 of the student's planned year of enrollment.”.

5 (2) MASTER CALENDAR.—Section 482(a)(1)(B)
6 (20 U.S.C. 1089) is amended to read as follows:

7 “(B) by March 1: proposed modifications,
8 updates, and notices pursuant to sections 478,
9 479(c)(2)(C), and 483(a)(6) published in the
10 Federal Register;”.

11 (c) INCREASING ACCESS TO TECHNOLOGY.—Section
12 483 (20 U.S.C. 1090) is further amended by adding at
13 the end the following:

14 “(f) ADDRESSING THE DIGITAL DIVIDE.—The Sec-
15 retary shall utilize savings accrued by moving more appli-
16 cants to the electronic forms described in subsection (a)(4)
17 to improve access to the electronic forms described in sub-
18 section (a)(4) for applicants meeting the requirements of
19 section 479(c).”.

20 (d) EXPANDING THE DEFINITION OF AN INDE-
21 PENDENT STUDENT.—Section 480(d) (20
22 U.S.C.1087vv(d)) is amended by striking paragraph (2)
23 and inserting the following:



1 “(2) is an orphan, in foster care, or a ward of
2 the court, or was in foster care or a ward of the
3 court until the individual reached the age of 18;”.

4 **SEC. 2126. ADDITIONAL NEED ANALYSIS AMENDMENTS.**

5 (a) INCOME PROTECTION ALLOWANCE FOR DEPEND-
6 ENT STUDENTS.—

7 (1) AMENDMENT.—Section 475(g)(2)(D) (20
8 U.S.C. 1087oo(g)(2)(D)) is amended by striking
9 “\$2,200” and inserting “\$3,000”.

10 (2) CONFORMING AMENDMENT.—Section
11 478(b) (20 U.S.C. 1087rr(b)) is amended by adding
12 at the end the following new paragraph:

13 “(3) REVISED AMOUNTS AFTER INCREASE.—
14 Notwithstanding paragraph (2), for each academic
15 year after academic year 2006–2007, the Secretary
16 shall publish in the Federal Register a revised in-
17 come protection allowance for the purpose of section
18 475(g)(2)(D). Such revised allowance shall be devel-
19 oped by increasing the dollar amount contained in
20 such section by a percentage equal to the estimated
21 percentage increase in the Consumer Price Index (as
22 determined by the Secretary) between December
23 2005 and the December next preceding the begin-
24 ning of such academic year, and rounding the result
25 to the nearest \$10.”.



1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply with respect to deter-
3 minations of need for periods of enrollment begin-
4 ning on or after July 1, 2006.

5 (b) EMPLOYMENT EXPENSE ALLOWANCE.—Section
6 478(h) (20 U.S.C. 1087rr(h)) is amended—

7 (1) by striking “476(b)(4)(B),”; and

8 (2) by striking “meals away from home, apparel
9 and upkeep, transportation, and housekeeping serv-
10 ices” and inserting “food away from home, apparel,
11 transportation, and household furnishings and oper-
12 ations”.

13 (c) DISCRETION OF STUDENT FINANCIAL AID AD-
14 MINISTRATORS.—Section 479A(a) (20 U.S.C. 1087tt(a))
15 is amended—

16 (1) by striking “(a) IN GENERAL.—” and in-
17 serting the following:

18 “(a) AUTHORITY TO MAKE ADJUSTMENTS.—

19 “(1) ADJUSTMENTS FOR SPECIAL CIR-
20 CUMSTANCES.—”;

21 (2) by inserting before “Special circumstances
22 may” the following:

23 “(2) SPECIAL CIRCUMSTANCES DEFINED.—”;

24 (3) by inserting “a student’s status as a ward
25 of the court at any time prior to attaining 18 years



1 of age, a student's status as an individual who was
2 adopted at or after age 13, a student's status as a
3 homeless or unaccompanied youth (as defined in sec-
4 tion 725 of the McKinney-Vento Homeless Assist-
5 ance Act),” after “487,”;

6 (4) by inserting before “Adequate documenta-
7 tion” the following:

8 “(3) DOCUMENTATION AND USE OF SUPPLE-
9 MENTARY INFORMATION.—”; and

10 (5) by inserting before “No student” the fol-
11 lowing:

12 “(4) FEES FOR SUPPLEMENTARY INFORMATION
13 PROHIBITED.—”.

14 (d) TREATING ACTIVE DUTY MEMBERS OF THE
15 ARMED FORCES AS INDEPENDENT STUDENTS.—Section
16 480(d)(3) (20 U.S.C. 1087vv(d)(3)) is amended by insert-
17 ing before the semicolon at the end the following: “or is
18 currently serving on active duty in the Armed Forces for
19 other than training purposes”.

20 (e) EXCLUDABLE INCOME.—Section 480(e) (20
21 U.S.C. 1087vv(e)) is amended—

22 (1) by striking “and” at the end of paragraph
23 (3);

24 (2) by striking the period at the end of para-
25 graph (4) and inserting “; and”; and



1 (3) by adding at the end the following new
2 paragraph:

3 “(5) any part of any distribution from a quali-
4 fied tuition program established under section 529
5 of the Internal Revenue Code of 1986 that is not in-
6 cludable in gross income under such section 529.”.

7 (f) TREATMENT OF SAVINGS PLANS.—

8 (1) AMENDMENT.—Section 480(f) (20 U.S.C.
9 1087vv(f)) is amended—

10 (A) in paragraph (1), by inserting “quali-
11 fied tuition programs established under section
12 529 of the Internal Revenue Code of 1986 (26
13 U.S.C. 529), except as provided in paragraph
14 (2),” after “tax shelters,”;

15 (B) by redesignating paragraph (2) as
16 paragraph (3); and

17 (C) by inserting after paragraph (1) the
18 following new paragraph:

19 “(2) A qualified tuition program shall not be consid-
20 ered an asset of a dependent student under section 475
21 of this part. The value of a qualified tuition program for
22 purposes of determining the assets of parents or inde-
23 pendent students shall be—

24 “(A) the refund value of any tuition credits or
25 certificates purchased under section 529 of the In-



1 ternal Revenue Code of 1986 (26 U.S.C. 529) on be-
2 half of a beneficiary; or

3 “(B) the current balance of any account which
4 is established under such section for the purpose of
5 meeting the qualified higher education expenses of
6 the designated beneficiary of the account.”.

7 (2) CONFORMING AMENDMENT.—Section 480(j)
8 (20 U.S.C. 1087vv(j)) is amended—

9 (A) by striking “; TUITION PREPAYMENT
10 PLANS” in the heading of such subsection;

11 (B) by striking paragraph (2);

12 (C) in paragraph (3), by inserting “, or a
13 distribution that is not includable in gross in-
14 come under section 529 of such Code,” after
15 “1986”; and

16 (D) by redesignating paragraph (3) as
17 paragraph (2).

18 (g) TREATMENT OF FAMILY OWNERSHIP OF SMALL
19 BUSINESSES.—Section 480(f)(3) of the Higher Education
20 Act of 1965 (20 U.S.C. 1087vv(f)(3)), as redesignated by
21 subsection (f) of this section, is amended—

22 (1) in subparagraph (A), by striking “or”;

23 (2) in subparagraph (B), by striking the period
24 at the end and inserting “; or”; and



1 (3) by adding at the end the following new sub-
2 paragraph:

3 “(C) a small business with not more than 100
4 full-time or full-time equivalent employees (or any
5 part of such a small business) that is owned and
6 controlled by the family.”.

7 (h) DESIGNATED ASSISTANCE.—Section 480(j) (20
8 U.S.C. 1087vv(j)) is amended by adding after paragraph
9 (2) (as redesignated by subsection (f)(2)(D) of this sec-
10 tion) the following new paragraph:

11 “(3) Notwithstanding paragraph (1) and section 472,
12 assistance not received under this title may be excluded
13 from both estimated financial assistance and cost of at-
14 tendance, if that assistance is provided by a State and is
15 designated by such State to offset a specific component
16 of the cost of attendance. If that assistance is excluded
17 from either estimated financial assistance or cost of at-
18 tendance, it shall be excluded from both.”.

19 **SEC. 2127. DEFINITION OF ELIGIBLE PROGRAM.**

20 Section 481(b) (20 U.S.C. 1088(b)) is amended by
21 adding at the end the following new paragraph:

22 “(3) For purposes of this title, an eligible program
23 includes an instructional program that utilizes direct as-
24 sessment of student learning, or recognizes the direct as-
25 sessment of student learning, in lieu of credit hours or



1 clock hours as the measure of student learning. In the case
2 of a program being determined eligible for the first time
3 under this paragraph, such determination shall be made
4 by the Secretary before such program is considered to be
5 eligible. The Secretary shall provide an annual report to
6 Congress identifying the programs made eligible under
7 this paragraph.”.

8 **SEC. 2128. DISTANCE EDUCATION.**

9 (a) DISTANCE EDUCATION: ELIGIBLE PROGRAM.—
10 Section 481(b) (20 U.S.C. 1088(b)) is amended by adding
11 after paragraph (3) (as added by section 2127 of this Act)
12 the following new paragraph:

13 “(4) An otherwise eligible program that is offered in
14 whole or in part through telecommunications is eligible for
15 the purposes of this title if the program is offered by an
16 institution, other than a foreign institution, that has been
17 evaluated and determined (before or after the date of en-
18 actment of this paragraph) to have the capability to effec-
19 tively deliver distance education programs by an accred-
20 iting agency or association that—

21 “(A) is recognized by the Secretary under sub-
22 part 2 of Part H; and

23 “(B) has evaluation of distance education pro-
24 grams within the scope of its recognition, as de-
25 scribed in section 496(n)(3).”.



1 (b) CORRESPONDENCE COURSES.—Section 484(l)(1)

2 (20 U.S.C. 1091(l)(1)) is amended—

3 (1) in subparagraph (A)—

4 (A) by striking “for a program of study of
5 1 year or longer”; and

6 (B) by striking “unless the total” and all
7 that follows through “courses at the institu-
8 tion”; and

9 (2) by amending subparagraph (B) to read as
10 follows:

11 “(B) EXCEPTION.—Subparagraph (A)
12 does not apply to an institution or school de-
13 scribed in section 3(3)(C) of the Carl D. Per-
14 kins Vocational and Technical Education Act of
15 1998.”.

16 **SEC. 2129. STUDENT ELIGIBILITY.**

17 (a) FRAUD: REPAYMENT REQUIRED.—Section
18 484(a) (20 U.S.C. 1091(a)) is amended—

19 (1) by striking the period at the end of para-
20 graph (5) and inserting “; and”; and

21 (2) by adding at the end the following new
22 paragraph:

23 “(6) if the student has been convicted of, or has
24 pled nolo contendere or guilty to, a crime involving
25 fraud in obtaining funds under this title, have com-



1 pleted the repayment of such funds to the Secretary,
2 or to the holder in the case of a loan under this title
3 obtained by fraud.”.

4 (b) TECHNICAL AMENDMENT.—Section 484(b)(5)
5 (20 U.S.C. 1091(b)(5)) is amended by inserting “or par-
6 ent (on behalf of a student)” after “student”.

7 (c) LOAN INELIGIBILITY BASED ON INVOLUNTARY
8 CIVIL COMMITMENT FOR SEXUAL OFFENSES.—Section
9 484(b)(5) (20 U.S.C. 1091(b)(5)) is further amended by
10 inserting before the period the following: “, and no student
11 who is subject to an involuntary civil commitment upon
12 completion of a period of incarceration for a sexual offense
13 (as determined under regulations of the Secretary) is eligi-
14 ble to receive a loan under this title”.

15 (d) FREELY ASSOCIATED STATES.—Section 484(j)
16 (20 U.S.C. 1091(j)) is amended by inserting “and shall
17 be eligible only for assistance under subpart 1 of part A
18 thereafter,” after “part C,”.

19 (e) VERIFICATION OF INCOME DATE.—Paragraph
20 (1) of section 484(q) (20 U.S.C. 1091(q)) is amended to
21 read as follows:

22 “(1) CONFIRMATION WITH IRS.—The Secretary
23 of Education, in cooperation with the Secretary of
24 the Treasury, is authorized to confirm with the In-
25 ternal Revenue Service the information specified in



1 section 6103(l)(13) of the Internal Revenue Code of
2 1986 reported by applicants (including parents)
3 under this title on their Federal income tax returns
4 for the purpose of verifying the information reported
5 by applicants on student financial aid applications.”.

6 (f) SUSPENSION OF ELIGIBILITY FOR DRUG OF-
7 FENSES.—Section 484(r)(1) (20 U.S.C. 1091(r)(1)) is
8 amended by striking everything preceding the table and
9 inserting the following:

10 “(1) IN GENERAL.—A student who is convicted
11 of any offense under any Federal or State law in-
12 volving the possession or sale of a controlled sub-
13 stance for conduct that occurred during a period of
14 enrollment for which the student was receiving any
15 grant, loan, or work assistance under this title shall
16 not be eligible to receive any grant, loan, or work as-
17 sistance under this title from the date of that convic-
18 tion for the period of time specified in the following
19 table:”.

20 **SEC. 2130. INSTITUTIONAL REFUNDS.**

21 Section 484B (20 U.S.C. 1091b) is amended—

22 (1) in subsection (a)(1), by inserting “subpart
23 4 of part A or” after “received under”;

24 (2) in subsection (a)(2), by striking “takes a
25 leave” and by inserting “takes one or more leaves”;



1 (3) in subsection (a)(3)(B)(ii), by inserting “(as
2 determined in accordance with subsection (d))” after
3 “student has completed”;

4 (4) in subsection (a)(4), by amending subpara-
5 graph (A) to read as follows:

6 “(A) IN GENERAL.—After determining the
7 eligibility of the student for a late disbursement
8 or post-withdrawal disbursement (as required in
9 regulations prescribed by the Secretary), the in-
10 stitution of higher education shall contact the
11 borrower and obtain confirmation that the loan
12 funds are still required by the borrower. In
13 making such contact, the institution shall ex-
14 plain to the borrower the borrower’s obligation
15 to repay the funds following any such disburse-
16 ment. The institution shall document in the
17 borrower’s file the result of such contact and
18 the final determination made concerning such
19 disbursement.”;

20 (5) in subsection (b)(1), by inserting “no later
21 than 45 days from the determination of withdrawal”
22 after “return”;

23 (6) in subsection (b)(2), by amending subpara-
24 graph (C) to read as follows:



1 “(C) GRANT OVERPAYMENT REQUIRE-
2 MENTS.—

3 “(i) IN GENERAL.—Notwithstanding
4 subparagraphs (A) and (B), a student
5 shall only be required to return grant as-
6 sistance in the amount (if any) by which—

7 “(I) the amount to be returned
8 by the student (as determined under
9 subparagraphs (A) and (B)), exceeds

10 “(II) 50 percent of the total
11 grant assistance received by the stu-
12 dent under this title for the payment
13 period or period of enrollment.

14 “(ii) MINIMUM.—A student shall not
15 be required to return amounts of \$50 or
16 less.”; and

17 (7) in subsection (d), by striking “(a)(3)(B)(i)”
18 and inserting “(a)(3)(B)”.

19 **SEC. 2131. COLLEGE ACCESS INITIATIVE.**

20 Part G is further amended by inserting after section
21 485C (20 U.S.C. 1092c) the following new section:

22 **“SEC. 485D. COLLEGE ACCESS INITIATIVE.**

23 “(a) STATE-BY-STATE INFORMATION.—The Sec-
24 retary shall direct each guaranty agency with which the
25 Secretary has an agreement under section 428(c) to pro-

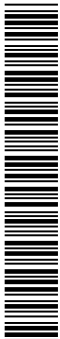


1 vide to the Secretary the information necessary for the de-
2 velopment of web links and access for students and fami-
3 lies to a comprehensive listing of the postsecondary edu-
4 cation opportunities, programs, publications, Internet Web
5 sites, and other services available in the States for which
6 such agency serves as the designated guarantor.

7 “(b) GUARANTY AGENCY ACTIVITIES.—

8 “(1) PLAN AND ACTIVITY REQUIRED.—Each
9 guaranty agency with which the Secretary has an
10 agreement under section 428(c) shall develop a plan
11 and undertake the activity necessary to gather the
12 information required under subsection (a) and to
13 make such information available to the public and to
14 the Secretary in a form and manner as prescribed
15 by the Secretary.

16 “(2) ACTIVITIES.—Each guaranty agency shall
17 undertake such activities as are necessary to pro-
18 mote access to postsecondary education for students
19 through providing information on college planning,
20 career preparation, and paying for college. The guar-
21 anty agency shall publicize such information and co-
22 ordinate such activities with other entities that ei-
23 ther provide or distribute such information in the
24 States for which such guaranty agency serves as the
25 designated guarantor.



1 “(3) FUNDING.—The activities required by this
2 section may be funded from the guaranty agency’s
3 operating account established pursuant to section
4 422B and, to the extent funds remain, from earn-
5 ings on the restricted account established pursuant
6 to section 422(h)(4).

7 “(c) ACCESS TO INFORMATION.—

8 “(1) SECRETARY’S RESPONSIBILITY.—The Sec-
9 retary shall ensure the availability of the information
10 provided by the guaranty agencies in accordance
11 with this section to students, parents, and other in-
12 terested individuals, through web links or other
13 methods prescribed by the Secretary.

14 “(2) GUARANTY AGENCY RESPONSIBILITY.—
15 The guaranty agencies shall ensure that the infor-
16 mation required by this section is available without
17 charge in printed format for students and parents
18 requesting such information.

19 “(3) PUBLICITY.—Within 270 days after the
20 date of enactment of the Higher Education Budget
21 Reconciliation Act of 2005, the Secretary and guar-
22 anty agencies shall publicize the availability of the
23 information required by this section, with special
24 emphasis on ensuring that populations that are tra-
25 ditionally underrepresented in postsecondary edu-



1 cation are made aware of the availability of such in-
2 formation.”.

3 **SEC. 2132. CANCELLATION OF STUDENT LOAN INDEBTED-**
4 **NESS FOR SURVIVORS OF VICTIMS OF THE**
5 **SEPTEMBER 11, 2001, ATTACKS.**

6 (a) DEFINITIONS.—For purposes of this section:

7 (1) ELIGIBLE PUBLIC SERVANT.—The term “el-
8 igible public servant” means an individual who, as
9 determined in accordance with regulations of the
10 Secretary—

11 (A) served as a police officer, firefighter,
12 other safety or rescue personnel, or as a mem-
13 ber of the Armed Forces; and

14 (B) died (or dies) or became (or becomes)
15 permanently and totally disabled due to injuries
16 suffered in the terrorist attacks on September
17 11, 2001.

18 (2) ELIGIBLE VICTIM.—The term “eligible vic-
19 tim” means an individual who, as determined in ac-
20 cordance with regulations of the Secretary, died (or
21 dies) or became (or becomes) permanently and to-
22 tally disabled due to injuries suffered in the terrorist
23 attacks on September 11, 2001.

24 (3) ELIGIBLE PARENT.—The term “eligible
25 parent” means the parent of an eligible victim if—



1 (A) the parent owes a Federal student loan
2 that is a consolidation loan that was used to
3 repay a PLUS loan incurred on behalf of such
4 eligible victim; or

5 (B) the parent owes a Federal student loan
6 that is a PLUS loan incurred on behalf of an
7 eligible victim.

8 (4) SECRETARY.—The term “Secretary” means
9 the Secretary of Education.

10 (5) FEDERAL STUDENT LOAN.—The term
11 “Federal student loan” means any loan made, in-
12 sured, or guaranteed under part B, D, or E of title
13 IV of the Higher Education Act of 1965.

14 (b) RELIEF FROM INDEBTEDNESS.—

15 (1) IN GENERAL.—The Secretary shall provide
16 for the discharge or cancellation of—

17 (A) the Federal student loan indebtedness
18 of the spouse of an eligible public servant, as
19 determined in accordance with regulations of
20 the Secretary, including any consolidation loan
21 that was used jointly by the eligible public serv-
22 ant and his or her spouse to repay the Federal
23 student loans of the spouse and the eligible
24 public servant;



1 (B) the portion incurred on behalf of the
2 eligible victim (other than an eligible public
3 servant), of a Federal student loan that is a
4 consolidation loan that was used jointly by the
5 eligible victim and his or her spouse, as deter-
6 mined in accordance with regulations of the
7 Secretary, to repay the Federal student loans of
8 the eligible victim and his or her spouse;

9 (C) the portion of the consolidation loan
10 indebtedness of an eligible parent that was in-
11 curred on behalf of an eligible victim; and

12 (D) the PLUS loan indebtedness of an eli-
13 gible parent that was incurred on behalf of an
14 eligible victim.

15 (2) METHOD OF DISCHARGE OR CANCELLA-
16 TION.—A loan required to be discharged or canceled
17 under paragraph (1) shall be discharged or canceled
18 by the method used under section 437(a), 455(a)(1),
19 or 464(c)(1)(F) of the Higher Education Act of
20 1965 (20 U.S.C. 1087(a), 1087e(a)(1),
21 1087dd(c)(1)(F)), whichever is applicable to such
22 loan.

23 (c) FACILITATION OF CLAIMS.—The Secretary
24 shall—



1 (1) establish procedures for the filing of appli-
2 cations for discharge or cancellation under this sec-
3 tion by regulations that shall be prescribed and pub-
4 lished within 90 days after the date of enactment of
5 this Act and without regard to the requirements of
6 section 553 of title 5, United States Code; and

7 (2) take such actions as may be necessary to
8 publicize the availability of discharge or cancellation
9 of Federal student loan indebtedness under this sec-
10 tion.

11 (d) AVAILABILITY OF FUNDS FOR PAYMENTS.—
12 Funds available for the purposes of making payments to
13 lenders in accordance with section 437(a) for the dis-
14 charge of indebtedness of deceased or disabled individuals
15 shall be available for making payments under section
16 437(a) to lenders of loans as required by this section.

17 (e) APPLICABLE TO OUTSTANDING DEBT.—The pro-
18 visions of this section shall be applied to discharge or can-
19 cel only Federal student loans (including consolidation
20 loans) on which amounts were owed on September 11,
21 2001. Nothing in this section shall be construed to author-
22 ize any refunding of any repayment of a loan.

23 **SEC. 2133. DISBURSEMENT OF STUDENT LOANS.**

24 Section 422(d) of the Higher Education Amendments
25 of 1998 (Public Law 105–244; 112 Stat. 1696) is amend-



1 ed by adding at the end the following new sentence: “Such
2 amendments shall also be effective on and after July 1,
3 2006.”.

4 **PART 2—HIGHER EDUCATION RELIEF**

5 **SEC. 2141. REFERENCES.**

6 References in this part to “the Act” are references
7 to the Higher Education Act of 1965 (20 U.S.C. 1001
8 et seq.).

9 **SEC. 2142. WAIVERS AND MODIFICATIONS.**

10 Notwithstanding any other provision of law, unless
11 enacted with specific reference to this section, the Sec-
12 retary of Education is authorized to waive or modify any
13 statutory or regulatory provision applicable to the student
14 financial assistance programs under title IV of the Act,
15 or any student or institutional eligibility provisions in the
16 Act, as the Secretary of Education deems necessary in
17 connection with a Gulf hurricane disaster to ensure that—

18 (1) the calculation of expected family contribu-
19 tion under section 474 of the Act used in the deter-
20 mination of need for student financial assistance
21 under title IV of the Act for any affected student
22 (and the determination of such need for his or her
23 family, if applicable), is modified to reflect any
24 changes in the financial condition of such affected

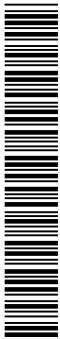


1 student and his or her family resulting from a Gulf
2 hurricane disaster; and

3 (2) institutions of higher education, systems of
4 institutions, or consortia of institutions that are lo-
5 cated in an area affected by a Gulf hurricane dis-
6 aster, or that are serving affected students, are eligi-
7 ble, notwithstanding section 486(d) of the Act, to
8 apply for participation in the distance education
9 demonstration program under section 486 of the
10 Act, except that the Secretary of Education shall in-
11 clude in reports under section 486(f) of the Act an
12 identification of those institutions, systems, and con-
13 sortia that were granted participation in the dem-
14 onstration program due to a Gulf hurricane disaster.

15 **SEC. 2143. CANCELLATION OF INSTITUTIONAL REPAYMENT**
16 **BY COLLEGES AND UNIVERSITIES AFFECTED**
17 **BY A GULF HURRICANE DISASTER.**

18 Notwithstanding any provision of title IV of the Act
19 or any regulation issued thereunder, the Secretary of Edu-
20 cation shall cancel any obligation of an affected institution
21 to return or repay any funds the institution received be-
22 fore the date of enactment of this Act for, or on behalf
23 of, its students under subpart 1 or 3 of part A or parts
24 B, C, D, or E of title IV of the Act for any cancelled
25 enrollment period.



1 **SEC. 2144. CANCELLATION OF STUDENT LOANS FOR CAN-**
2 **CELLED ENROLLMENT PERIODS.**

3 (a) LOAN FORGIVENESS AUTHORIZED.—Notwith-
4 standing any provision of title IV of the Act, the Secretary
5 shall discharge all loan amounts under parts B and D of
6 title IV of the Act, and cancel any loan made under part
7 E of such title, disbursed to, or on behalf of, an affected
8 student for a cancelled enrollment period.

9 (b) REIMBURSEMENT.—The Secretary of Education
10 shall—

11 (1) reimburse each affected institution for any
12 amounts discharged under subsection (a) with re-
13 spect to a loan under part E of title IV of the Act
14 in the same manner as is required by section 465(b)
15 of the Act with respect to a loan cancelled under sec-
16 tion 465(a) of the Act; and

17 (2) reimburse lenders for the purpose of dis-
18 charging any loan amounts disbursed to, or on be-
19 half of, an affected student under part B of title IV
20 of the Act for a cancelled enrollment period.

21 (c) LIMITATION ON CONSOLIDATION LOANS.—A loan
22 amount for a loan made under section 428C of the Act
23 or a Federal Direct Consolidation Loan may be eligible
24 for discharge under this section only to the extent that
25 such loan amount was used to repay a loan to an affected
26 student for a cancelled enrollment period.



1 (d) CONSTRUCTION.—Nothing in this section shall be
2 construed to authorize any refunding of any repayment
3 of a loan.

4 **SEC. 2145. TEMPORARY DEFERMENT OF STUDENT LOAN**
5 **REPAYMENT.**

6 An affected individual who is a borrower of a quali-
7 fied student loan or a qualified parent loan shall be grant-
8 ed a deferment, not in excess of 6 months, during which
9 periodic installments of principal need not be paid, and
10 interest—

11 (1) shall accrue and be paid by the Secretary,
12 in the case of a loan made under section 428, 428B,
13 428C, or 428H of the Act;

14 (2) shall accrue and be paid by the Secretary
15 to the Perkins loan fund held by the institution of
16 higher education that made the loan, in the case of
17 a loan made under part E of title IV of the Act; and

18 (3) shall not accrue, in the case of a Federal
19 Direct Loan made under part D of such title.

20 **SEC. 2146. NO AFFECT ON GRANT AND LOAN LIMITS.**

21 Notwithstanding any provision of title IV of the Act
22 or any regulation issued thereunder, no grant or loan
23 funds received by an affected student under title IV of
24 the Act for a cancelled enrollment period shall be counted
25 against such affected student's annual or aggregate grant



1 or loan limits for the receipt of grants or loans under that
2 title.

3 **SEC. 2147. TEACHER LOAN RELIEF.**

4 The Secretary of Education may waive the require-
5 ment of sections 428J(b)(1) and 460(b)(1)(A) of the
6 Higher Education Act of 1965 that the 5 years of quali-
7 fying service be consecutive academic years for any teach-
8 er whose employment was interrupted if—

9 (1) the teacher was employed in qualifying serv-
10 ice, at the time of a Gulf hurricane disaster, in a
11 school located in an area affected by a Gulf hurri-
12 cane disaster; and

13 (2) the teacher resumes qualifying service not
14 later than the beginning of academic year 2006–
15 2007 in that school or any other school in which em-
16 ployment is qualifying service under such section.

17 **SEC. 2148. EXPANDING INFORMATION DISSEMINATION RE-**
18 **GARDING ELIGIBILITY FOR PELL GRANTS.**

19 (a) IN GENERAL.—The Secretary of Education shall
20 make special efforts, in conjunction with State efforts, to
21 notify affected students and if applicable, their parents,
22 who qualify for means-tested Federal benefit programs, of
23 their potential eligibility for a maximum Pell Grant, and
24 shall disseminate such informational materials as the Sec-
25 retary of Education deems appropriate.



1 (b) MEANS-TESTED FEDERAL BENEFIT PRO-
2 GRAM.—For the purpose of this section, the term “means-
3 tested Federal benefit program” means a mandatory
4 spending program of the Federal Government, other than
5 a program under the Act, in which eligibility for the pro-
6 gram’s benefits, or the amount of such benefits, or both,
7 are determined on the basis of income or resources of the
8 individual or family seeking the benefit, and may include
9 such programs as the supplemental security income pro-
10 gram under title XVI of the Social Security Act, the food
11 stamp program under the Food Stamp Act of 1977, the
12 free and reduced price school lunch program established
13 under the Richard B. Russell National School Lunch Act,
14 the temporary assistance to needy families program estab-
15 lished under part A of title IV of the Social Security Act,
16 and the women, infants, and children program established
17 under section 17 of the Child Nutrition Act of 1966, and
18 other programs identified by the Secretary of Education.

19 **SEC. 2149. PROCEDURES.**

20 (a) DEADLINES AND PROCEDURES.—Sections 482(c)
21 and 492 of the Act (20 U.S.C. 1089(c), 1098a) shall not
22 apply to any waivers, modifications, or actions initiated
23 by the Secretary of Education under this part.



1 (b) CASE-BY-CASE BASIS.—The Secretary of Edu-
2 cation is not required to exercise any waiver or modifica-
3 tion authority under this part on a case-by-case basis.

4 **SEC. 2150. TERMINATION OF AUTHORITY.**

5 The authority of the Secretary of Education to issue
6 waivers or modifications under this part shall expire at
7 the conclusion of the 2005–2006 academic year, but the
8 expiration of such authority shall not affect the continuing
9 validity of any such waivers or modifications after such
10 academic year.

11 **SEC. 2151. DEFINITIONS.**

12 For the purposes of this part, the following terms
13 have the following meanings:

14 (1) AFFECTED INDIVIDUAL.—The term “af-
15 fected individual” means an individual who has ap-
16 plied for or received student financial assistance
17 under title IV of the Higher Education Act of 1965,
18 and—

19 (A) who is an affected student; or

20 (B) whose primary place of employment or
21 residency was, as of August 29, 2005, in an
22 area affected by a Gulf hurricane disaster.

23 (2) AFFECTED INSTITUTION.—The term “af-
24 fected institution” means an institution of higher
25 education that—



1 (A) is located in an area affected by a Gulf
2 hurricane disaster; and

3 (B) has temporarily ceased operations as a
4 consequence of a Gulf hurricane disaster, as de-
5 termined by the Secretary of Education.

6 (3) AFFECTED STATE.—The term “affected
7 State” means the State of Alabama, Florida, Lou-
8 isiana, Mississippi, or Texas.

9 (4) AFFECTED STUDENT.—The term “affected
10 student” means an individual who has applied for or
11 received student financial assistance under title IV
12 of the Higher Education Act of 1965, and who—

13 (A) was enrolled or accepted for enroll-
14 ment, as of August 29, 2005, at an institution
15 of higher education in an area affected by a
16 Gulf hurricane disaster;

17 (B) was a dependent student enrolled or
18 accepted for enrollment at an institution of
19 higher education that is not in an area affected
20 by a Gulf hurricane disaster, but whose parents
21 resided or were employed, as of August 29,
22 2005, in an area affected by a Gulf hurricane
23 disaster; or

24 (C) was enrolled or accepted for enrollment
25 at an institution of higher education, as of Au-



1 gust 29, 2005, and whose attendance was inter-
2 rupted because of a Gulf hurricane disaster.

3 (5) AREA AFFECTED BY A GULF HURRICANE
4 DISASTER.—The term “area affected by a Gulf hur-
5 ricane disaster” means a county or parish, in an af-
6 fected State, that has been designated by the Fed-
7 eral Emergency Management Agency for disaster as-
8 sistance for individuals and households as a result of
9 Hurricane Katrina or Hurricane Rita.

10 (6) CANCELLED ENROLLMENT PERIOD.—The
11 term “cancelled enrollment period” means any pe-
12 riod of enrollment at an affected institution during
13 the academic year 2005.

14 (7) GULF HURRICANE DISASTER.—The term
15 “Gulf hurricane disaster” means a major disaster
16 that the President declared to exist, in accordance
17 with section 401 of the Robert T. Stafford Disaster
18 Relief and Emergency Assistance Act, and that was
19 caused by Hurricane Katrina or Hurricane Rita.

20 (8) INSTITUTION OF HIGHER EDUCATION.—The
21 term “institution of higher education” has the
22 meaning given such term in section 102 of the High-
23 er Education Act of 1965, except that the term does
24 not include institutions under subsection (a)(1)(C)
25 of that section.



1 (9) QUALIFIED STUDENT LOAN.—The term
2 “qualified student loan” means any loan made, in-
3 sured, or guaranteed under part B, D, or E of title
4 IV of the Higher Education Act of 1965, other than
5 a loan under section 428B of such title or a Federal
6 Direct Plus loan.

7 (10) QUALIFIED PARENT LOAN.—The term
8 “qualified parent loan” means a loan made under
9 section 428B of title IV of the Higher Education
10 Act of 1965 or a Federal Direct Plus loan.

